

officials for the peaceful settlement of these matters were becoming a daily feature.

The Japanese Government and people took the occurrence of these regrettable incidents as a natural outcome of the anti-Japanese education and policy of the Nanking Government. The recurrence of such incidents could not be prevented, the Japanese inferred, by a mere proclamation of the Chinese Government enjoining on Chinese people to behave in a more friendly manner toward the Japanese. The Japanese Government seemed rather too cautious, while the public opinion in Japan was strong enough to back the Government in taking any positive measures toward China. The Nanking Government took a negative attitude all through and, taking advantage of the East Suiyuan issue at the end of the year, communicated to the Japanese representatives that it would be difficult to bring the Nanking negotiation to a successful conclusion so long as the East Suiyuan question was not settled, and assumed an attitude threatening to repudiate all agreements so far reached. The final outcome of all conversations between the representatives of the two Governments, which had extended over three months, was the visit of Ambassador Kawaguchi to Chang Chun, Chinese Minister for Foreign Affairs, on December 3, 1936 when a note embodying points on which agreement had been reached was handed him, and the Nanking parley entered a holiday, both sides publishing statements contradicting each other.

The Sino-Japanese issue in the last three months of 1936 left the final solution to a later occasion. The Japanese press and the people as a whole were not satisfied with the activities of the authorities concerned with the issue, considering their attitude as disclosing weakness on the part of the Hirota Cabinet and taking, on the other hand, the unfriendly attitude of the Nanking Government so heavily to heart that another crisis between the two nations seemed likely at any moment.

**Japan-German Agreement** In coguizance of the fact that the object of the Communistic International, or the so-called Comintern, is the disintegration of existing States recognized by it as Imperialistic or capitalist, and that its interference in the internal affairs of nations not only endangers their in-

ternal peace but threatens international peace, and desiring to co-operate for defense against communistic disintegration, Japan and Germany agreed, on November 25, 1936, on a mutual exchange of information concerning the activities of the Comintern, confer upon necessary measures of defense and carry out such measures in close co-operation.

#### Positive Attitude of Political Parties

The 70th session of the Imperial Diet was convened on December 24, 1936, to sit for three months ending with March 25, 1937. The difficulties of the Hirota Cabinet were expected to arise over the Tax Increase Bill, the Electric Power State Management Bill and the Compulsory Education Prolongation Bill and it was felt that the Government must exert itself to overcome the antagonistic forces represented by many members of both Houses. To make the matters worse, there was a dissatisfaction at the foreign policy of the Government in general and a still smouldering complaint at the Government's attitude toward the political parties.

From what transpired at the meetings of the political parties preparatory to the 70th session of the Diet it was revealed that the parties were going to take a much more positive attitude in the discussions in the coming session of the Diet than they had been wont to do in former sessions. The Imperial edict at the opening of the 69th session called forth the sense of responsibility anew, not only among Governmental circles but also among party men, and the latter began to pay closer attention to the doings of the Hirota Cabinet. They were expected to enter into hot discussions over many drastic measures to be taken by the Government for political, economic and educational renovation discordant, in their eyes, to the present state of national progress, together with evident failures in the handling of international affairs by the Government.

**The 70th Session** The 70th session of the Imperial Diet, convened on December 24, 1936, was of great importance to the Hirota Cabinet, which had been formed to cope with the grave state of national and international affairs and the February 26 Incident and which was now to ask the judgement of the nation concerning its plans and administration for the first time,

because the 69th session had been a short and extraordinary one. There was a fresh expectation in general for the session because it was to be held for the first time in the new and permanent edifice of the Imperial Diet Building which had been completed in November 1936.

The strength of the political parties in the House on the day of the opening of the Imperial Diet was as follows:

#### The House of Peers:

Princes of the Blood	18
The Kenkyukai	160
The Koselkai	60
The Kayokai	42
The Koyu Club	36
The Dowakai	34
The Doseikai	22
Independents	30
Total	408

#### The House of Representatives:

The Minseitō	205
The Seiyūkai	171
The Showakai	25
The Kokumin-Domei	12
The Tohokai	9
The Social Mass Party and Local Proletarians	21
Other small groups	18
Independents	4
Vacant seats	1
Total	466

The general atmosphere at the opening of the 70th session of the Diet suggested a strong attitude of the leading political parties against the policies of the Government, especially against the lukewarm Arita diplomacy. But the collision between the House of Representatives and the Hirota Cabinet occurred on January 21 in connection with the interpellation of Mr. Hamada and the answer of Lieutenant-General Terauchi, Army Minister.

**Resignation of the Hirota Cabinet** The Hirota Cabinet tendered its resignation en bloc to the Throne on January 23, 1937, after two days of extraordinary adjournment of the Diet. The events surrounding the formation of the succeeding Cabinet revealed many facts important to Japan's history of politics and gave valuable suggestions concerning the future of the constitutional government of Japan.

The hot words exchanged between the Army Minister and Kunimatsu Hamada on January 21 were too insignificant to be the cause of the resignation

of the Hirota Cabinet, but the Army was unwilling to discuss matters any further with the party men in the House of Representatives, not because of the alleged insult of Hamada against them but for the reason that there was a difference of opinion between the Army and members of the House of Representatives in regard to the recognition of the seriousness of the situation into which the country was thrown as a result of the declarations of the leading parties at their general meetings and the move of the party men in the Houses. The Army insisted upon an immediate dissolution of the House of Representatives. Hamada and his party found no reason for making an apology on what he had said in his interpellation although the general atmosphere among the parties seemed to be toward a compromise.

Opinions were divided among the Cabinet members as to the dissolution of the House of Representatives and Navy Minister Vice-Admiral Osami Nagano and Dr. Gotaro Ogawa, Minister of Commerce and Industry, took the trouble to try and arbitrate between the dissenting parties in and out of the Cabinet. Dr. Ogawa belonged to the Minseitō and was anxious to bring the matter to a satisfactory conclusion in order to get the budget passed by the Diet, seeing that parties were not actually opposed to it, and to save his comrades from the blow of dissolution. Vice-Admiral Nagano found no reason for a deadly clash between the Government and the Lower House in the quarrel of the War Minister and Hamada, and was gravely concerned about the passage of the budget, which was threatened with postponement for at least half a year by the possible dissolution, for the Navy wanted to hasten the completion of its program with the coming of the first year of freedom from treaty disarmament. The two Ministers had a consultation and the Minister of the Navy called on the Presidents of the Minseitō and Seiyūkai on the night of January 22 and early in the morning of the following day, and got the full understanding of the two Presidents.

But all the efforts of the Ministers proved futile. The Army took a firm stand and handed the resignation of the Army Minister Lieutenant-General Terauchi to the Premier by the morning of

the 23rd, evincing thereby the uncompromising attitude of the Army on the issue.

Premier Hirota did not give his consent to the asking of the Throne for the dissolution of the Lower House, but, on the contrary, decided on his own accord to give up all measures for maintaining the life of the Cabinet. He probably saw that it was useless to push the matter any further. He saw that the support of the circles who wanted a quick and drastic renovation of the political and economic systems of Japan had become weak because of their dissatisfaction at his too cautious way of handling important matters. Besides, the movements in political circles, public and secret, had suggested that some schemes for the change of the Government had been going on. As a matter of fact several propositions for the establishment of a new political party continued to appear in the press in preparation for the bringing about of a new Cabinet. On January 23, 1937, Premier Hirota announced his reason for resignation to the effect that since assuming the duties of Premier by Imperial Order in March 1936, he had done his best for the proper administration of state affairs, but in spite of all his efforts the difficulty of the political situation had become an unsurmountable obstacle.

On the same day the War Minister published his statement in regard to his stand on the matter. "Mr. Hamada's address in the House is not to be taken as the reason for my resignation. It is true that leading parties have their members in the Cabinet, but in spite of this fact, their declarations and presidents' addresses at their general meetings before the opening of the Diet, the interpellations of their representatives on the 21st of January, and the general atmosphere of the House of Representatives on the same day clearly indicate that there is a great gap between the understanding of Japan's present situation, national and international, by the Army and by the political parties. It is hard, in my opinion, to surmount the difficulties before us by a temporary compromise unless we all come to the right recognition of Japan's real situation. The existing state of affairs leads me to the conclusion that they are against my hope for the strengthening of military discipline, completion of national defense and renovation of state

administration."

**Ugaki's Failure** General Kazushige Ugaki who had been enjoying a quiet life for years at Nagaoka, Shizuoka prefecture, came up to Tokyo on January 25, 1937, and was granted an audience and received the Imperial Order to form a cabinet, and then began his task, first to get Army and Navy Ministers. But he met with strong antagonism from the Army which answered that no high officers were willing to be recommended to the portfolio in spite of the combined efforts of the Chief of the General Staff, the Army Minister and the Inspector-General of Military Education. Ugaki was supported by almost the entire press and majority of people, who sent him thousands of letters and telegrams of encouragement to fight against the adverse situation in which he was quite unexpectedly put. It was impossible for him, however, to choose the Army Minister without the recommendation of the three just mentioned because of the regulation that limited the post of a General or Lieutenant-General in active service, the number of these being very small and all of them being under direct control of the Ministry.

Many suggestions were proposed to General Ugaki as extraordinary means of accomplishing his purpose, but he did not like to take any drastic measure in face of the apparent antagonism because of the peace of the country, and after five days' deliberation and negotiations, that is, on the 29th, he gave up his task and asked the pardon of the Throne for his inability to form a Cabinet.

**The Hayashi Cabinet** Prince Salongji first recommended Baron Kikichiro Hiranuma, President of the Privy Council, and then, General Senjuro Hayashi as candidate for Premiership, and the latter was ordered to form the Cabinet. The Hayashi Cabinet was organized in February 2, 1937.

**Dissolution of the House of Representatives** The 70th Session of the Imperial Diet which had been convened on December 24, 1936, was closed on March 31, 1937, with the Dissolution of the House of Representatives. The session was a very extraordinary one, for, during its sitting, the Hirota Cabinet resigned and the Hayashi Cabinet came into power. It adjourned three times at the end of January and in the beginning of February, on account of the

change of the Cabinet, and at the end of March it was prolonged for 6 days beginning with the 26th and finally on the last day it met the Dissolution. All through the session the Cabinets, both old and new, were unsympathetic with the parties in the House of Representatives, while the parties, in turn, took a negative and equivocal attitude toward these governments as a whole, although some of their members were brave enough to make attacks on the movement of a part of the Imperial Army or Government's social policies.

The Dissolution was also peculiar. The Diet was closing on March 31 in peace, hurriedly passing resolutions and bills left over to that day, 49 important bills including the budget for 1937-38 being voted already, when it all of a sudden was dissolved to the surprise of the members of the House of Representatives and the general public.

**General Election of April 1937** The general election of April 30, 1937, was carried out without a clearer aim than that of the Government, which asked for the "repentance" of the House of Representatives because its behavior had been unsatisfactory in the eyes of the Cabinet and the election was the outcome of the Dissolution brought about by its behavior. It was neither a fight between the Government and the parties around important issues nor an election of confidence on Government's policies. In any case, the results of the election were entirely against the Government. The victory of parties whose platforms were decidedly against the Government was overwhelming, and the combined forces of the Minseitō and the Seiyūkai in the Lower House kept the absolute majority as it was in March. The number of the representatives sent by the

Social Mass Party, which was most strongly opposed to the Government's political ideas, was nearly doubled. On the other hand, the number of the representatives of the Showakai, the ministerial party, was reduced from 24 to 18 and another pro-governmental party the Kokumin-Domei gained nothing, while the Independents who were in sympathy with the Government sent but a few members to the new House of Representatives. All the efforts of the Government to turn the results to its benefit were defied. The general election presented the people with a chance of expressing their deep concern with the political affairs of the country and the bustle of the election which had been thought meaningless by many at the outset gave birth to many points suggestive of the future of the Imperial Diet. The first of them was that the voters did not sympathize with the political ideas destructive of the existing parliamentary system, the second was that they showed a strong opposition against the attitude of the Government which seemed to fill the political stage to the exclusion of others, and the third was that they expressed their earnest wish for the renovation of the Diet in the votes that went to the Social Mass Party.

According to the Local Bureau of the Home Ministry, which has been investigating the voting at the 20th general election of April 30, 1937, the percentage of absentees increased by 5.4%, being 26.7 against 21.3 at the previous election, and in the comparison of invalid votes, blank votes increased by 2,012 and voting papers on which were written miscellaneous things increased by 3,682, while on the whole the total number of invalid votes decreased by 2,779.

#### RESULTS OF THE 19TH AND THE 20TH GENERAL ELECTIONS

Parties	19th Election	20th Election	Percentage of Increase(+) or Decrease(-)
<b>Minseitō</b>			
No. of persons elected	205	179	- 12.5
No. of votes obtained	4,456,250	3,660,007	- 17.7
<b>Seiyūkai</b>			
No. of persons elected	174	175	+ 0.5
No. of votes obtained	4,156,643	3,608,882	- 13.1
<b>Social Mass Party</b>			
No. of persons elected	18	36	+100.0
No. of votes obtained	518,360	900,916	+ 73.8

On May 3, Premier General Hayashi published a statement in connection with the result of the 20th general election which was received by the public as voicing the Government's determination to carry on its mission in the face of all criticism none of which supported the Government's stand. The unanimous opinion was that the Government would have to retreat in a few months, either before the proposed extraordinary session of the Diet in August or at its beginning when a non-confidence decision would be passed by a unanimous vote.

**Resignation of the Hayashi Cabinet** In spite of the Premier's statement matters went from bad to worse for the Hayashi Government. Movements for the formation of a new ministerial party all failed, while the much talked about disruption, if there had been any possibility of one, of the existing large parties was checked by the Dissolution and the general election, for these events worked contrary to the hope of the Government for bringing about such a disruption and strengthened the unity of political parties in their common fight against the Hayashi Cabinet.

The general state of political affairs and the trend of public opinion in May tied up Hayashi's hand in trying to get persons for the vacant ministerial chairs. Besides, secret movements for a new cabinet began to be more active, along with the public movements and decisions of leading parties for the downfall of the Hayashi régime.

On May 31, 1937, the resignation of the Hayashi Cabinet en bloc was finally announced.

**Konoé Comes to Power.** The public nomination for the new Premier was Prince Fumimaro Konoé, President of the House of Peers. The Imperial wish was the same, for the Genro, Prince Salonji, the President of Privy Council Baron Hiranuma and the Grand Keeper of the Imperial Seals Kurabei Yuasa unitedly recommended Konoé to the Throne on June 1, 1937.

Konoé's coming to power was welcomed by all circles in Japan. His family prestige is second to none among the Japanese subjects, his political career as the President of the House of Peers has been brilliant, and his knowledge of and sympathy with the conditions of the people as well as his understanding of military issues is

thought to be deep and thorough.

The formation of the new cabinet went on smoothly in favorable circumstances. Prince Konoé was successful in the first place in persuading the Army and Navy Ministers to stay in their former chairs, then in bringing Dr. Eiichi Baba, Minister of Finance in the Hirota Cabinet, to the chair of Home Minister, and finally in getting Mr. Koki Hirota, the former Premier, for the Foreign Affairs portfolio. According to his policy of forming a cabinet in which all the political forces are represented, Prince Konoé was able to get one Minister from each leading party, Mr. Ryutaro Nagai, Chief Secretary of the Minseito, to be Minister of Communications, and Mr. Chikuhei Nakajima, one of the four members of the Acting-Presidential Board of the Seiyukai, to be Minister of Railways.

The Konoé Cabinet was formally inaugurated on June 5, 1937.

The new Cabinet came into power with the full support of the press, the military circle, the leading political parties and the economic world. It was believed that the Konoé Cabinet intended to make all efforts to overcome the quasi-wartime crisis by the united force of the defense services, the bureaucracy and the political parties, keeping harmony with military forces and heeding the wishes of officialdom. The economic policy of the Cabinet was to adjust the international payments of Japan, to establish a concrete program for the development of productive power in the country and to get a clear prospect of demand and supply and control the relations of the two most effectively.

**The 71st Session** The 71st session of the Imperial Diet was convened on July 25, 1937, the opening ceremony being honored by the presence of H.I.M. the Emperor.

The addresses of the Premier, the Minister for Foreign Affairs and the Minister of Finance were delivered at the general meeting of both Houses on the 27th.

The minute reports of the North China Incident made by the Army Minister, General Gen Sugiyama, before the Diet on the same day and on several other occasions held the attention of the audience, and the Diet gave consent to the Government's request for the second supplementary budget in relation to the North China Incident which reached

¥419,600,000, without any amendment.

The 71st Session of the Diet passed two bills presented by the Lower House and the 34 bills introduced by the Government, including budgets for the Incident and for the establishment of the Ministry of Health and Social Affairs. Only one bill was laid on the table. The closing ceremony was held on August 8, 1937.

**The North China Incident** On Wednesday night, July 7, 1937, a small unit of Japanese troops was engaged in manoeuvres on their usual grounds, near Marco Polo Bridge, southwest of Peiping, and in the vicinity of Lukouchiao and Lungwangmiao on the Yungting River. With the regular summer inspection but a fortnight ahead, all Japanese troops in the area had been drilling day and night for weeks. The Chinese authorities had been notified of these manoeuvres, as usual and nothing untoward had occurred or been anticipated.

But suddenly, at 11:40 o'clock on this particular night, the Japanese troops were fired upon by Chinese soldiers from the directions of Lukouchiao and Lungwangmiao. This small incident brought in its train the present China Affair. (See Chapter VI.)

#### Political Affairs in 1937 and 1938

The political affairs of the country in the second half of 1937 and the first half of 1938 were almost exclusively concerned with the international developments arising from the China Affair which began on July 7, 1937. The Government, the political parties and the people of Japan were united closely in pressing forward Japan's national policy with regard to the East Asiatic continent by concentrating the national power to the utmost. All the conflicting opinions and movements were promptly set aside before the great task, and the nation was ready for utmost sacrifice both on the war and the home front.

**The 72nd Session** The 72nd Diet was specially convened at the beginning of September 1937. It was opened on September 4 in the presence of His Majesty the Emperor and closed on the 9th of the same month after passing the supplementary budget for military operations and other legislative bills.

In October 1937, the Government organized the Cabinet Advisory Council

to reinforce its power by gathering veteran statesmen and experienced businessmen around the Cabinet. The first 10 members of the new Cabinet Advisory Council who were appointed on October 15, 1937, were as follows:

General Kazushigé Ugaki  
General Baron Sadao Araki  
Admiral Baron Kiyokazu Abo  
Admiral Nobumasa Suetsugu  
Chuji Machida of the Minseito  
Yonezo Maeda of the Seiyukai  
Kiyoshi Akita, M. H. R.  
Baron Seinosuké Go  
Seihin Ikeda  
Yosuké Matsuoka

**The 73rd Session** The 73rd session of the Imperial Diet was convened on December 24, 1937, and closed on March 27, 1938.

During the session discussions were centered round the National General Mobilization Bill, the Electric Power Control Bill, and the bills for the increase on taxes. After lively debates and keen deliberations all of these epoch-making bills and 86 other bills, submitted by the Government, were passed by both Houses, amendments being made on the Electric Power Control Bill and 11 others only. Among the 86 bills mentioned above, there were such important ones as those for establishing Governmental companies in North and Central China, for tending the limit for issuance of fiduciary notes, for increasing the production of important minerals, for the readjustment of farm lands, for the revision of the Conscription Law, the Health Insurance Law, the Shop Law, the Pension Law and the Labor Exchange Law, for the establishment of the central funds for pensioned and salaried men.

#### Political Affairs in 1938 and 1939

**Ugaki Resigns** General Kazushigé Ugaki, Foreign Minister and Overseas Minister, tendered resignation to the Throne, on September 29, 1938. The reason was unintelligible, but it was generally surmised that there was a certain discrepancy of opinion in the Cabinet in regard to foreign policy at issue. The portfolio was concurrently assumed by Premier Konoé.

**Capture of Canton and Hankow** Japanese forces succeeded in landing at Blas Bay, in South China, in face of the

enemy, on October 12, 1938, and entered the city of Canton, on October 21, 1938. The Japanese attack of South China effectively surprised the Kuomintang Government and Chinese armies in Hankow, and Japanese troops captured a part of Hankow on October 25, 1938, without receiving material resistance, and the three cities of Wuchang, Hankow and Hanyang were completely occupied by Japanese army and navy on October 27, 1938.

**New Ministers Installed** Mr. Hachiro Arita who had been the Foreign Minister in the Hirota Cabinet in 1936, was appointed again Foreign Minister, and Mr. Yoshiaki Hata was installed as Overseas Minister on October 29, 1938.

**Wartime Financial and Economic Measures** During the months after September, the Government was fully occupied with the wartime situation at home and diplomatic affairs in relation to international questions which constantly arose with the development of the China Affair. Important steps taken by the Government in continuation from preceding years or as new measures were as follows:

For the purpose of meeting war expenses which amounted to 7,400 million yen, bond issues amounting to 6,700 million yen, encouragement of savings among the people, tax increase for obtaining 400 million yen, and transfers from special accounts to the sum of 100 million yen; For an increased production of munitions material, expansion of factories and equipments in mining and heavy industries; For the maintenance and improvement of international balance of payments, trade control and foreign exchange control; For increasing imports and the maintenance of foreign exchange and the international value of currency, promotion of export business, creation of foreign exchange fund system, installation of export and import link system, utilization of bonded factories, a new system to advance export funds, increase of receipts in invisible trade, encouragement of gold production and concentration of gold with the Government, and regulations against profiteering; For restraining rises in commodity prices and stabilization of the living conditions of the people, price restraining measures, creation of the Price Commission and Price Adjustment Commission, institution of the standard maximum price system,

official price system, net price system and economic police system; For the relief of the unemployed and persons who have been forced to suspend business or change occupation on account of restriction on importation and use of goods, state management of labor exchanges and other measures; For safeguarding adequate supply of military material, restriction on and prohibition of use of goods, control of distribution of important goods, encouragement of invention and use of substitutes, subsidy for manufacture of substitutes, and encouragement of reform of the people's way of living.

The Konoé Cabinet has been, in general, successful in carrying out these measures with good understanding and loyal support of the people, except such complicated and apparently difficult question as price control and the relief of persons who lost business and were compelled to change occupation, both of which have been left to the good office of the present Hiranuma Cabinet.

**China Affair** In regard to the advance to and occupation of important points and cities in China by the Japanese army and navy, minutes are given in Chapter VI, Foreign Relations and the Chapter on China. The Japanese conviction in the present incident and the attitude toward the Kuomintang Government have been announced unchanged by competent authorities on various occasions.

On November 3, 1938, the Government made a statement concerning the future of East Asia.

**Premier Konoé's Address** On the same day, Prince Konoé, Prime Minister, made a radio address on the same subject, excerpts from which follow:

Following upon the capture of Canton, Hankow, the heart of China, was also taken, so that the so-called "Middle Plain" with its seven great cities, which virtually sustain the life of modern China, has now fallen into our hands. There is an old Chinese saying to the effect that "He who controls the Middle Plain controls the whole land." Thus the Chiang Kai-shek Government is no longer anything but a local régime. Japan has achieved these results without overstraining her fighting power, which has always been kept at a level sufficient to ward off any intervention from the outside. We are moved, as never before, by the consciousness that

this has been made possible by the august virtue of His Majesty, the Emperor, and the heroic efforts of His valiant officers and men. . . The key to China's fate is now in our hands. What, then, do we want? We want not the destruction of China but her prosperity and progress; not the conquest of China but cooperation with her. Working hand in hand with the Chinese awakened to a new consciousness of being people of the Orient, we want to build up an East Asia which is peaceful and settled.

It is an historical necessity that the three great neighbor nations, China, Manchoukuo and Japan, while fully retaining their respective individuality should stand closely united in their common duty of safeguarding East Asia. It is deeply to be deplored not only for the sake of Japan but for that of all Asia that the attainment of this goal has been thwarted through the mistaken policy of the Kuomintang Government. The policy of that government was based on the transient tide of the period that followed the Great War. It did not originate in the inherent intelligence and good sense of the Chinese people. In particular, the conduct of that government, which in its efforts to stay in power cared not whether the nation was left a prey to Communism or relegated to a minor colonial status, cannot but be regarded as treason toward those many patriotic Chinese who had risked their lives in order to erect a new China. It was in those circumstances that Japan, reluctant as she was to be involved in the tragedy of two great kindred nations fighting against each other, was compelled to take up arms against the Chiang Kai-shek régime.

Japan fervently desires the awakening of China. It is my hope that wise and foreseeing Chinese will be swift to assume leadership and to guide their nation back to the right path, and lead the rejuvenated state forward in the fulfillment of our common task in East Asia. Already in Peking and Nanking signs of rebirth have appeared. And in the wide plains to the north and west, a new Mongolia is springing to life. Let the Chinese people, who in the past 5,000 years of their history have illumined again and again the annals of civilization, prove once more their greatness by sharing in the stupendous task of creating a new Asia.

Participation even by the Nationalist Government need not be rejected if, returning to the true spirit of China, it should repudiate its past policy, remould its personnel and offer to join in the work as a thoroughly regenerated régime.

**December Statement** The Japanese Government, which had hitherto published statements mostly on the general aim and principle of Japan in carrying on the China Affair, made a substantial statement in regard to her demands upon China, in the name of Premier Konoé, on December 22, 1938, as follows:

The Japanese Government is resolved, as has been clearly set forth in its two previous statements issued this year, to carry on the military operations for the complete extermination of the anti-Japanese Kuomintang Government, and at the same time to proceed with the work of establishing a new order in East Asia together with those far-sighted Chinese who share in our ideas and aspirations.

The spirit of renaissance is now sweeping over all parts of China and enthusiasm for reconstruction is mounting ever higher. The Japanese Government desires to make public its basic policy for adjusting relations between Japan and China, in order that its intentions may be thoroughly understood both at home and abroad.

Japan, China and Manchoukuo will be united by the common aim of establishing the new order in East Asia and of realizing a relationship of neighborly amity, common defense against Communism, and economic cooperation. For that purpose it is necessary first of all that China should cast aside all narrow and prejudiced views belonging to the past and do away with the folly of anti-Japanism, and resentment regarding Manchoukuo. In other words, Japan frankly desires China to enter of her own will into complete diplomatic relations with Manchoukuo.

The existence of the Comintern influence in East Asia cannot be tolerated. Japan therefore considers it an essential condition of the adjustment of the Sino-Japanese relations that there should be concluded an anti-Comintern agreement between the two countries in consonance with the spirit of the anti-Comintern Agreement between Japan, Germany and Italy. And in

order to ensure the full accomplishment of her purpose, Japan demands, in view of the actual circumstances prevailing in China, that Japanese troops be stationed, as an anti-Communist measure, at specified points during the time the said agreement is in force, and also that the Inner Mongolian region be designated as a special anti-Communist area.

As regards economic relations between the two countries, Japan does not intend to exercise economic monopoly in China, nor does she intend to demand of China to limit the interests of those third Powers, who grasp the meaning of the new East Asia and are willing to act accordingly. Japan only seeks to render effective the cooperation and collaboration between the two countries. Japan demands that China, in accordance with the principle of equality between the two countries, should recognize the freedom of residence and trade of Japanese subjects in the interior of China, with a view to promoting the economic interests of both peoples; and that, in the light of the historical and economic relations between the two nations, China should extend to Japan facilities for the development of China's natural resources, especially in the regions of North China and Inner Mongolia.

If the true object of Japan in conducting the present vast military campaign be fully understood, it will be plain that what she seeks is neither territory nor indemnity for the cost of military operations. Japan demands only the minimum guarantee needed for the execution by China of her function as a participant in the establishment of the new order.

Japan not only respects the sovereignty of China, but she is prepared to give positive consideration to the questions of the abolition of extra-territoriality and of the rendition of concessions and settlements—matters which are necessary for the full independence of China.

**Diplomatic Issues** The rapid development of the China Affair gave rise to many diplomatic problems between Japan and the Powers which have rights and interests in China such as Great Britain, France and the United States of America, during the period under survey. The explanations on the problems and negotiations with these countries are given in Chapter VI, Foreign

Relations. As a whole, the Powers were very moderate in their attitude toward Japan, apparently with due understanding as regards the inevitability of troubles arising under such circumstances, and negotiations are going on without any grave frictions.

Matters concerning Japan's aid for the rehabilitation and reconstruction of China are stated in the Chapter on China at the end of this volume.

**Anti-Comintern Agreement** The German-Japanese Agreement against the Communist International which had been concluded on November 25, 1936, was reinforced by the participation of Italy on November 6, 1937, as it was stated in the 1938-9 Japan Year Book, pp. 200, 201. Now this Tripartite Anti-Comintern Pact developed to a hexadic agreement, with the participation of Hungary and Manchoukuo on February 24, 1939, and Spain on March 27, 1939.

**Fishery Disputes with the U.S.S.R.** The revision of the Russo-Japanese Fishery Agreement fell due in 1936, but the Soviet Government refused to sign it, and the Japanese Government was twice obliged to conclude a *modus vivendi* in 1936 and 1937. Negotiations were renewed in 1938 between Japanese Ambassador Togo and Foreign Commissar Litvinov at Moscow. During the latter half of 1938 and the beginning of 1939, there were many occasions on which disruption was considered inevitable. The patience of Ambassador Togo, however, finally conquered over the stubbornness of the Foreign Commissar, and negotiations came to a satisfactory conclusion on April 2, 1939 and a *modus vivendi* was signed at Moscow at midnight. (See Chapter VI, Foreign Relations, for a fuller account.)

**Change of the Cabinet** On January 4, 1939, Prince Fumimaro Konoé, Prime Minister, tendered resignation to the Throne. H.I.M. the Emperor granted audience to Baron Kichiro Hiranuma, President of the Privy Council, on the same day, and gave him order to form the new Cabinet.

Baron Hiranuma succeeded in his task with an unprecedented speed and the inauguration of the new cabinet took place in the Imperial palace in the afternoon of January 5, 1939.

According to the press comments on the occasion, the Konoé Cabinet was confronted with difficulties in carrying out wartime political, economic and so-

cial renovation measures. Another reason was in the failure of the efforts for the formation of a new political party sponsored by some members of the Cabinet and outsiders, and Prince Konoé, who was always unwilling to be brought forward as the president of the proposed party, was glad to be freed from this lure as well as premier's responsibility and leave the pending questions with a certain senior statesman.

**The 74th Session** The 74th Session of the Imperial Diet was convened on December 24, 1938, and closed on March 26, 1939. The strength or representation of different organizations and parties in the Houses on the day of its opening was as follows:

House of Peers:	
Body Represented	Membership
Imperial Princes	16
Kenkyukai	161
Koseikai	69
Kayokai	44
Koyu Club	35
Dowakai	31
Doseikai	21
Others	36
Total	413
House of Representatives:	
Party	Membership
Mitselto	178
Selyukai	170
The First Room Club	46
Social Mass Party	35
The Second Room Club	13
Tohokai	12
Others	6
Total	460

Note: Vacancies 6.

The Houses gave consent to the Governmental budgets which amounted to over ¥9,400,000,000, and passed all the 89 bills presented by the Cabinet, only 10 of which were amended in some minor points. Important bills passed

#### Political Affairs in 1939—1940

**The Hiranuma Cabinet** Complications almost unprecedented in Japan's history marked the political situation in this country in the second half of 1939. In August, the signing of the German-Soviet Non-Aggression Pact came as a bolt from the blue. The Hiranuma Cabinet, engrossed in its endeavors to strengthen the anti-Comintern axis with Germany and Italy, was compelled to

and later promulgated as new laws were as follows:

1. Financial Laws; Revised China Affair Special Tax Law, Revised Special Profits Tax Law, Revised Temporary Land Tax Disposition Law, Law for the Exemption from or Postponement of Levying Taxes for the Relief of Calamity Stricken People, Revised Tariff Law, and four other laws on taxes. Nine laws for the floatation of public bonds. Three laws for special accounts. Four laws for readjustment of funds.

2. Laws pertaining to exploitation of resources; The Imperial Mining Company Law, Law for mining coal in Karafuto, The Japan Gold Mining Company Law, Revised Gold Mining Law, Law for the Manufacture of Light Metals, Revised Industry Law, Revised Mine Law, Rice Distribution Control Law, Taiwan Rice Importation Control Law, Horses Protection Law, and six other laws.

3. Laws on transportation; The Dai-Nippon Airways Company Law, The Sea Transportation Association Law, Shipbuilding Industry Law, and four other laws.

4. Military Laws; Military Resources Secrecy Protection Law, Revised Conscription Law, and five other laws.

5. Social or Cultural Laws; Officials' Health Insurance Law, Mariners Protection Law, Revised Health Insurance Law, Revised P. O. Annuity Law, Cinema Law, Copy Right Agent Law, and two other laws.

6. Educational or Religious Laws; Religious Organization Law, and five other laws.

7. Judicial Laws; Arbitration Law, Criminals Protection Law, Revised Court Formation Law, and four other laws.

8. Laws in relation to colonies; For Chosen five laws, for Taiwan one law, and for others four laws.

9. Others; Revised Insurance Law, Law on the way of taking Census, and one other law.

resign on August 28 after only eight months in power. The European War broke out in less than two weeks after the installation of the Abe Cabinet, headed by General Nobuyuki Abe, which succeeded the Hiranuma Cabinet. Baron Hiranuma, former Premier, referred to the international development since the summer of 1939 as "Complicated and mysterious." Premier General Abe term-

ed it "Confused and kaleidoscopic." The domestic political situation, too, was varied and complicated. The first Konoé Cabinet endeavored to adjust politics, diplomacy, finance and economy with the object of perfecting a quasi-wartime system in order to cope with the aggravation of the China Affair. Toward the close of the Konoé administration and in the early days of the Hiranuma Cabinet, however, the quasi-wartime situation developed into a genuine wartime condition. The Hiranuma Cabinet devoted itself to drafting a concrete plan for completing a wartime system, but failed to make a timely start for instituting various reformatory policies demanded by the wartime structure. Thus, finally, the task of carrying out the most difficult wartime renovation fell to the lot of the Abe Cabinet. The enforcement of the provisions of the National General Mobilization Law for preventing advance in prices, which the Abe Cabinet took up immediately upon its organization, the creation of a new Ministry of Trade, investing of the Premier with authority to order general mobilization, the abolition of an ordinance for guaranteeing the positions of government officials: all these reformation plans were not originally initiated by the Abe Cabinet. They were first formulated by the Konoé Cabinet, fostered by the Hiranuma Cabinet, and then passed over to the Abe Cabinet for the finishing touches. The Abe Cabinet, however, failed to bring them to proper realization.

The ineptitude of the Abe Cabinet was almost unusual. If these three wartime cabinets had made their advent in converse order, namely, the Abe, Hiranuma and Konoé, or the Abe, Konoé and Hiranuma Cabinets, matters might have been different for the Abe Cabinet. The three Cabinets were more or less consistent in the policies they pursued. A close study, however, is necessary to determine their political characters. The Hiranuma Cabinet was formed on January 5, 1939, to succeed the Konoé Cabinet which had left with its reformation "bills" outstanding. As Baron Kiichiro Hiranuma was reputed as a leader of the right wing, the general public as well as the Genro and the senior statesmen close to the Throne felt some concern, but the 74th session of the Imperial Diet, which closed on March

26, 1939, not only revealed that the administrative policy of Premier Hiranuma was aimed at the maintenance of the status quo, to the relief of the senior statesmen, but also that his Cabinet was not powerful enough to satisfy the general expectation. During the 74th session of the Diet the public was made acquainted with many important facts such as a concrete policy for the disposal of the China Affair, and the future direction of the materials mobilization and productivity expansion plans. Discussions at the 74th session of the Diet, however, were mostly conducted in camera. Wartime legislation was largely confined to the National General Mobilization Law, and no important bills were submitted, except the Rice Distribution Control Law, which was introduced in the Diet toward the close of the session. With the Diet closed, Premier Baron Hiranuma nominated Harumichi Tanabe as Communications Minister and General Kunlaki Koiro as Overseas Minister, to fill the portfolios heretofore held concurrently by other Ministers of the Cabinet. Thus, the Hiranuma Cabinet renewed its determination to push forward. From that time, the adjustment of the supply and demand of commodities and the price control policy came into the limelight, and the situation threatened to become serious. Previous to this, the Hiranuma Cabinet expanded the Price Control Commission and installed Seshin Ikeda as chairman in February. In April, the Hiranuma Cabinet promulgated an ordinance for restricting dividends on the basis of the provisions of Article 11 of the National General Mobilization Law, and endeavored to reorganize the Ministry of Commerce and Industry as an agency for controlling commodities. The Price Control Commission announced the outline of the price control measure to be adopted as a basis for carrying out wartime economy. In June, the national requisition ordinance was promulgated. Thus, a good start was made in the application of the wartime system as far as materials, prices and labor were concerned. Experts of the Cabinet Planning Board and other quarters concerned, however, were of opinion that the fundamental control of the consumption of major materials, prevention of price increases, improvement of the distribution system, and other similar reformatory measures should have been taken up during the

Hiranuma Cabinet when the situation had not yet been excessively strained. The stringent situation was a natural result of the lack of rational statesmanship. Thus, the Hiranuma Cabinet was not resolute enough in domestic administration. The Hiranuma Cabinet, however, actually suffered more from diplomatic issues, particularly the Tokyo-Berlin-Rome alliance. This issue, which was inherited from the Konoé Cabinet, is said in some quarters to have been one of the reasons for the resignation of the first Konoé Cabinet. The Hiranuma Cabinet became involved in this problem from start to finish and its five-minister conference was convened nearly 70 times during its tenure of office. On May 20, the Government even announced that the five Ministers concerned "reached an agreement on its European policy." The alliance issue, however, was left pending because of the sharp change in circumstances surrounding it. In June and July, Anglo-Japanese negotiations were conducted in Tokyo to deliberate upon issues pending in China. Although the negotiations fell through, they at least served to modify British views on China concerning fundamental problems, and caused them to declare that "Britain recognizes the continuance of hostilities and will refrain from actions damaging to Japan and benefiting the Chiang Kai-shek régime." Later, however, domestic conditions surrounding the European policy became further strained. In order to cope with the situation and to break up the concentrated attention of political circles, Premier Hiranuma took up the Trade Ministry issue and the abolition and merger of ministerial offices by holding a conference of Cabinet Ministers in charge of economic ministries.

On August 3, three chiefs of the army held a conference, and on August 5, a five-minister conference was convened for more than 5 hours. Thus, conference after conference was held by the Government. However, it failed to reach any agreement and little progress was made at these deliberations, as the extent and method of strengthening the anti-Comintern axis had an important and immediate bearing on the national defense plan. With the Government thus vacillating, a report that the German-Soviet Non-Aggression Pact had been signed was suddenly received

on August 22. In the midst of public clamor attacking the Government's oversight of the German attitude, the Hiranuma Cabinet resigned en bloc on August 28, following an emergency Cabinet meeting held on the same day, taking the responsibility as an advisory organ to the Throne. Thus, the Hiranuma Cabinet was tormented from start to finish by the strengthening of the Tokyo-Berlin-Rome anti-Comintern axis, and finally collapsed as a result. The Hiranuma Cabinet failed to leave any meritorious accomplishments except as one of a chain of Cabinets advocating maintenance of the status quo.

**The Abe Cabinet** On the same day, an Imperial order to form the next Cabinet was received by General Nobuyuki Abe. The Abe Cabinet was organized on August 30. Compared with the painstaking care exercised for the change of premiership from Prince Konoé to Baron Hiranuma, the Abe Cabinet was organized with comparative ease. Koki Hirota and General Ugaki were regarded as possible candidates to succeed Baron Hiranuma, but their nomination failed to materialize. Prince Konoé also declined to assume the premiership again. And the choice finally fell on General Abe, a man reputed for his common sense and who enjoyed high credit among the senior statesmen. He also had the advantage of being on good terms with the military. The personnel of the Abe Cabinet gave the impression of youth succeeding age, but at the same time, it never enjoyed complete confidence. Compared with the taciturn Hiranuma Cabinet, which attended to its task without announcing its platforms and policies, the Abe Cabinet was a striking contrast. It tackled with considerable élan all pending problems inherited from preceding Cabinets and was ready to make known its policies and platforms. Diplomatically, the troubles surrounding the proposed strengthening of the Tokyo-Berlin-Rome axis vanished with the exit of the Hiranuma Cabinet. The China Affair had reached a new phase. Thus, externally, the Abe Cabinet made its start with comparatively light tasks.

**The Second European War** By that time, however, the European situation became increasingly worse. Germany, like a whirlwind, swept over Poland and Germany and the Soviet on one

side and England and France on the other came to rival each other. Thus, the curtain was raised on the second World War. Under the circumstances, the Abe Cabinet issued a statement on September 4, setting out its policy of non-involvement in the European War.

The Abe Cabinet declared that the disposal of the China Affair was the pivot of the national policy, and also endeavored to solve all pending problems from the days of the Kono Cabinet. It first took up in a perfunctory manner the question of giving greater powers to the Premier relative to the national general mobilization. But the Privy Council immediately opposed this move, thereby endorsing the weakness of the Abe Cabinet from the beginning. The Cabinet next applied the provisions of the General Mobilization Law concerning the prevention of the advance of prices, salaries, etc., and thus resorted to an epoch-making measure to cope properly with the price problem which threatened to develop into a serious political issue. This step, however, was not taken at the initiative of the Abe Cabinet, but was based on studies and preparations under way since the days of the Hiranuma Cabinet. Toward the end of September, the Abe Cabinet appointed Admiral Kichisaburo Nomura, retired, as full-time Foreign Minister to prepare for the aggravating diplomatic relations with the United States which notified the abrogation of the American-Japanese Treaty of Commerce and Navigation at the end of July. On October 3, the Abe Cabinet decided on an outline of the establishment of an independent Ministry of Trade. A strong opposition of officials of the Foreign Office, who risked their posts, however, blocked the Government's decision. The Cabinet once made up its mind to dismiss en masse a number of secretaries attached to the Foreign Office. On October 12, however, instructions were sent to the Cabinet by senior statesmen compelling the Government to drop the issue at the last moment. The impression that the Abe Cabinet would give way to pressure affected all subsequent administrative measures taken by the Government, particularly the price problem and the rice issue. It was thought that the proposed Ministry of Trade would never see the light. In mid-October, Vice-Admiral Takuo Godo,

Minister of Commerce and Industry and Minister of Agriculture and Forestry, concurrently, encountered opposition from agricultural and forestry quarters. As a result, the Cabinet abandoned its original plan of having fewer cabinet personnel, and appointed Count Tadama Sakai as Minister of Agriculture and Forestry. General Shunroku Hata, Army Minister, unable to put up with successive cases of maladministration, emphasized the necessity of concentrating efforts on the disposal of the China Affair.

Later, the Abe Cabinet again attempted to fill the portfolios of Railways and Communications, then held concurrently by other members of the Cabinet. The problem of personnel was solved by naming Hidejro Nagata as Railway Minister and Kiyoshi Akita as Welfare Minister on November 29. Later, much time was again lost on the issue of abolishing the ordinance guaranteeing the status of Government officials. The abolition failed to materialize.

**Economic Problems** While the Abe Cabinet was occupied with unimportant side-issues, economic problems concerning the supply of materials and control of prices became more acute, although the Abe Cabinet could not be held solely responsible for such economic developments. Toward the middle part of October, the unilateral accumulation and uneven distribution of rice became apparent, besides a plethora of illegal transactions. In order to cope with the situation, the Government raised the maximum price of unpolished rice from ¥38 to ¥43 (per koku) on November 6, and later enforced the provisions of the General Mobilization Law for the compulsory use of 70-percent-polished rice. Thus, the Government was compelled to concentrate its whole efforts on the adjustment of the supply and demand of rice, coal, charcoal, etc. by purchasing foreign rice and other measures. On the other hand, the Government raised the prices of tobacco and silk tissues close on the heels of the price advance of rice, and thus invited a situation likely to undermine the basis of its own low-price policy.

**Diplomacy** In diplomatic dealings, Foreign Minister Nomura and Foreign Vice-Minister Tani negotiated with the British Ambassador Sir Robert Craigie

the American Ambassador Clark Grew and the Soviet Ambassador Smetanin, respectively, in an effort to adjust diplomatic relations with these countries. Efforts were directed toward renewing the American-Japanese Treaty of Commerce and Navigation and for solving various outstanding problems in China with the United States, for solving pending issues of varying kinds, including the Tientsin issue with Great Britain, and for concluding a Japanese-Soviet commercial treaty and a fishery pact as well as delimiting the border line with Soviet Russia. The future of Japan's diplomatic negotiations were fraught with difficulties.

**Confronted with Difficulties** By compiling a giant budget involving ¥10,300,000,000, and by arranging a conference with the leaders of the five major political parties, the Government prepared for the 75th Diet session in December 1939.

The Hiranuma Cabinet which was in power during the first half of 1939 was compelled to resign after devoting itself to international issues, particularly the Japanese-German-Italian alliance. The Abe Cabinet, which succeeded the Hiranuma Cabinet, took up domestic problems, but without success. The difficult voyage which the Abe Cabinet was obliged to make through the turbulent waters of domestic administration was due principally to an unfortunate choice of personnel, even allowing for the emergency situation. In no other Cabinet preceding it was the rivalry between the faction urging drastic reform and the faction advocating maintenance of the status quo so clearly manifested as in the Abe Cabinet. General Abe, General Hata and Admiral Nomura apparently had close ties with the senior statesmen, while Messrs. Nagai, Aoki, Endo and Karasawa were in the van of the progressive group. These two rival currents contended within the Cabinet, and gave rise to many important questions, such as the Trade Ministry issue, which began like a cyclone but ended like a zephyr. The system of the united national front has its special merit when many and different currents are unified and standardized. If such rivalry comes to reveal itself openly, the system defeats itself.

Because the results shown by the Abe Cabinet were on the whole dis-

couraging, the national-unity structure, on the basis of which seven successive Cabinets since the Saito Cabinet, principally composed of military and bureaucratic leaders, administered government, was subjected to a re-examination. And political parties, which, until a few months previously, had been buried in oblivion, were preparing themselves to enter the limelight again as a reaction to the failure of bureaucratic administration. This was one of the special political features of 1939. But economic problems were the most important political issues in 1939. The National General Mobilization Law was enforced in almost all its phases, and the materials mobilization and productivity expansion plans were further strengthened. Government control over national livelihood was strengthened in all branches including production distribution and consumption. Such government control was new to the Japanese people, and moreover the measures adopted by the Government have proved to be inadequate. As a result, many cases of dislocation arose. Rice, for example, stocked in plenty in certain parts of the country, failed to reach the city people, because of the lack of properly co-ordinated transportation facilities.

Thus, the year 1939 proved quite eventful both in national and international affairs. All these, however, were problems inevitable in a period of transition preceding the attainment of the ultimate goal.

On December 23, 1939, the 75th Session of the Imperial Diet convened and on December 27 a group of members of the House of Representatives held a special meeting in the Diet Hall and handed Premier Abe a note of resolution advising him to resign, giving the reason that the Abe Cabinet had lost the people's support. It was later revealed that 276 out of 442 members had signed the non-confidence bill.

**The Yonai Cabinet** Without waiting for a formal vote on the bill, the Abe Cabinet tendered its resignation to the Throne on January 14, 1940, and the new Cabinet under Admiral Mitsumasa Yonai came into power on January 16.

On February 1, Premier Yonai revealed in his address before the Diet his determination (1) to dispose of the present situation in accordance with the basic policy that had been formulated

for the settlement of the China Affair in the expectation of the establishment of a new Chinese Central Government under the leadership of Wang Ching-wel; (2) to adhere firmly to Japan's non-involvement policy in regard to the current European conflict; and (3) to take measures in effecting increased production and proper distribution of goods for a successful operation of the current wartime economy and for the maintenance of the people's livelihood under the wartime situation.

On the same occasion, Finance Minister Sakurauchi explained the economic situation of the country, assuring that the financial circles passed the year 1939 in peace, 87 per cent of the public bonds floated being consumed, and spoke of his intention to continue the low-price policy, to do his utmost for the expansion of foreign trade and to consolidate the national economy by cooperation between the Government and the people for the accomplishment of Japan's mission in East Asia.

**The 75th Session** The 75th Session of the Diet adjourned on March 27, after passing budget bills calling for ¥10,500,000,000 and 108 other bills, including bills for a complete revision of tax laws. (See Chapter VIII.) One of the episodes of the session was the political disturbance caused by Takao Saito's interpellation of the Government policy for settling the China Affair on February 2; this case ended in his expulsion from membership in the Diet on March 7.

In the meantime, Wang Ching-wel's announcement on March 12 of the completion of preparations for establishing a new régime in China was followed by Premier Yonai's declaration that the Japanese Government was prepared to extend full support to the new Chinese Government. On March 30, the Central Government of the Republic of China was established in Nanking, and in April, General Nobuyuki Abe, former Premier, was sent to Nanking as envoy with the mission to offer felicitations to the new régime and to regulate relations between China and Japan.

**The Second Konoé Cabinet** On July 16, the Yonai Cabinet resigned and the present Cabinet under Prince Konoé was installed on the 22nd of the same month. The direct cause of the change of cabinet was differences in opinion between Prime Minister Yonai and War Minister Hata concerning the Cabinet's

cooperation in the movement to reorganize the nation on the basis of a new political structure, and the fundamental change in diplomatic policy in view of the changing world situation following the Nazi occupation of France. However, the fundamental reason which compelled the resignation of the Yonai Cabinet may be found in the national demand for a stronger Cabinet which would be capable of disposing satisfactorily the economic and diplomatic problems. Moreover, the rapid transition in domestic and foreign affairs, which also influenced the replacement of Kurahei Yuasa by Marquis Koichi Kido as the Grand Keeper of the Imperial Seal on June 1, is manifested in the movement for a single, powerful political party or a reorganization of the Imperial Diet.

#### Movement for the New Organization of the Nation

In the past few years there has been considerable agitation in various quarters for the formation of a new powerful national political party to pull Japan through the current emergency period. The present movement for such an organization is composed of two groups: reformists who want to form an entirely new party along reformist lines, and those who champion an amalgamation of the two leading parties, the Minseitō and the Seiyūkai, the latter of which is now divided into two factions, the Kuhara, or Orthodox, and the Nakajima, or Reformist. The new party drive sponsored by the latter group has gained momentum since the outbreak of the China Affair, but its chances of success still appear remote, largely due to divergence of views within the group itself. Some desire an amalgamation which would result in the disappearance of the two older parties, while others favor merely close co-operation between the Seiyūkai and the Minseitō, leaving their status virtually intact. Feeling the need for party reform at the last Diet session, Fusanosuké Kuhara, president of the Orthodox faction of the Seiyūkai, issued a statement after the Diet's adjournment in which he declared that there was only one way for Japan to emerge from the difficult situation: the formation of a powerful new political party. On May 4 Kuhara called on Chuji Machida, president of the Minseitō, and urged him

to join this movement by dissolving the existing parties. If this proposed movement is successful, Kuhara will then ask the Nakajima faction to join. Prince Konoé, President of the Privy Council and former Prime Minister, who had been frequently mentioned in the press as an eligible candidate to head such a new party, was reported to have been chosen by Kuhara to lead the new organization. The first interview between Kuhara and Machida, however, proved unsuccessful, since the Minseitō president made it clear that he would welcome co-operation among the political parties, but opposed their dissolution. A second interview took place on May 11, but this difference of opinion remained, and the matter was dropped for the time being.

Prince Konoé's resignation from the Presidency of the Privy Council on June 26 gave a powerful stimulus to the new party movement. Members of the Diet belonging to the Parliamentary League for Realization of the Objective of the Campaign in China, which represents minority parties in the Diet, paid a round of calls on Chuji Machida, president of the Minseitō, Fusanosuké Kuhara, and Chikuhel Nakajima, president of the Reformist Faction of the Seiyūkai on June 25, urging them to dissolve their organizations and join the single party which will be organized under the leadership of Prince Konoé. Machida declined to comment, but both Nakajima and Kuhara stated that they were prepared to liquidate their organizations. The Kuhara or Orthodox Faction of the Seiyūkai thereupon called a convention of its branch managers on July 2. In addressing the gathering, Kuhara stressed the necessity of giving up personal sentiments at this juncture as well as old customs in an effort to organize a new single national party. Such drastic action, he asserted, would safeguard the results of years of effort on the part of the Seiyūkai on the one hand and make a substantial contribution to the cause of constitutional government on the other, thus consummating the work left by the lamented seniors of the party. The convention went on record for dissolution at a moment's notice. Thus came to an end the 41-year career of the Seiyūkai, the party founded by the late Prince Hirobumi Ito. On July 3 the Nakajima Faction of the Seiyūkai convoked a con-

vention of its branch managers which also decided on dissolution. On June 24 the Social Mass Party issued a statement declaring its preparedness to dissolve and join the new party movement. A national convention held on July 7 formally approved this resolution. Another minority party, the rightist Japan Reformist Party, also dissolved. The Minseitō was pursuing a wait-and-see policy, not necessarily opposed to the new organization, but to have a large voice in its deliberations. In a statement issued in the name of Secretary-General Sakurai on July 13, the Minseitō affirmed its desire to cooperate with Prince Konoé, provided the platform of the new party conforms with that of the Minseitō and provided also the party machinery approves of the move. And the general meeting of the Minseitō, which was held on August 15, declared dissolution and ended its 60-year career.

**Prince Konoé's Statement** On August 28, Prince Konoé revealed the nature and significance of the new movement in the following statement which had been previously approved by the Throne after approval by the Cabinet:

"In the midst of a world-wide disturbance, Japan is now going forward with an unparalleled task, the creation of a new order in East Asia. If Japan is to bring the China Affair to a successful conclusion, while adjusting herself to the international situation, and to take an active part in the establishment of a new world order, she must concentrate on this task the total power of the nation to the utmost degree so as to be in a position to take in an independent manner, swiftly and resolutely, appropriate measures for meeting whatever situation may arise.

"To this end Japan must perfect a national defense structure of the highest degree. The basis of such a structure is a powerful internal structure. Consequently there has arisen the pressing demand for the establishment of a new structure in politics, economy, education, culture and all the domains of the life of the State and of the people.

"This indeed is a national demand, transcending a Cabinet, a faction or an individual. It is not a demand of a temporary character for carrying out any specific policy, but of a permanent one, for rendering possible the powerful pursuance of any policy, when the



necessity arises. Whether or not Japan can establish such a strong national structure will decide the very rise or fall of the nation.

"Among the items to be considered in this new organization of the nation must be mentioned the harmonious cooperation between the High Command and the administrative branch of the Government, the consolidation of State mechanisms and the heightening of efficiency, and the establishment of a new parliamentary structure as an organ for assisting the Throne. The Government, on their part, are exerting utmost efforts in order to achieve these ends. But of far greater importance is the first establishment of that "national structure" which is to serve as the very foundation of all and under which the people are to fulfil effectively their duty of assisting the Throne.

"The aim of the new national structure is to unite the total energies of the State and of the people, to make one living whole of our hundred million fellow countrymen and enable them all to fulfil perfectly their duty as subjects of the Throne. To attain this goal, each one of us must be enabled to fulfil that duty in the performance of his daily task. It is but natural that when the majority of the people, as it has been the case in the past, have no opportunity to take part in government other than when they are called to cast a vote once every three or four years, they would not as a whole take to heart the destiny of the country.

"The organization of the nation is that which enables the people to serve the nation in their everyday life; it must therefore extend to the economic and cultural spheres. There must be a solid nationwide structure in which all component parts are organized vertically, and they are also bound together horizontally. It is because there does not exist such a structure allowing the people to assist effectively the Throne that we see today a tendency toward a conflict between those who govern and those who are governed, a lack of true understanding on the part of the authorities who formulate the policies of the people's real activities and an indifference on the part of the people toward the formulation of State policies.

"When we look at things in this manner, the fundamental points of the national structure appear clearly: the people should be enabled to take part

from the inside, in the establishing of the country's economic and cultural policies and at the same time these policies should reach all the peripheries of national life. It is only under these conditions that the will and ideas of both those who govern and those who are governed can be fully appreciated by each other and that the total power of the nation can be concentrated on carrying out the policies of the nation.

"A definite national movement is necessary for the successful realization of this national structure. Such a movement should spontaneously spring from the people themselves. If it is planned or guided by the Government, or if given an administrative structure, it may hinder the spontaneous manifestation of the people's energies. The present circumstances, however, do not allow us to rely only on the spontaneous development of such a movement. Moreover, agitations from below, are liable to degenerate into factional strifes and fail to expand into a really national movement. The Government have thus found it necessary to take positive steps for fostering and directing this movement.

"Viewed in this light, this movement is a common undertaking of both the Government and the people: it is a nation-wide movement to assist the Throne. It is not merely a spiritual movement in the narrow sense but aims at enhancing the political ideals and the political consciousness of the nation. And the choosing of men of talent, known or unknown, from all strata of society to form the nucleus of the movement and thus to obtain a strong political power and driving force is the first and indispensable step that should be taken.

"The movement is highly political in nature, but it is by no means a movement for a political party. Individual and sectional interests and attitudes are necessarily in the very nature of a political party. It is true that there can be no whole without parts; and to condemn parties only because they comprise separate elements is not necessarily fair. It may be said that in those times when liberalism was the basis of economic activities, the existence of political parties was justified. It must be acknowledged that in Japan itself the parties stood up against the influences to make heard the voice of the people. But nevertheless it cannot be denied that the past activities of the parties often were

not in keeping with the essential mission of the Diet which is to assist the Throne.

"The new national structure movement aims at superseding the old party politics postulated upon liberalism. It is essentially national, all embracing and public-spirited in character.

"It aims at the concentration and unification of the nation's entire powers. Its activities extend to the whole life of the nation. Even were this movement to rise as a popular movement, its character would not be that of a political party in the old sense. It would on the contrary be a national movement standing above any political party, embracing all parties and factions, economic and cultural bodies, and uniting all in the spirit of public service.

"When such a movement is led by the Government itself, it cannot, in any sense be a party movement. Those who hold the reins of Government and are entrusted with the task of assisting the Throne, are always placed in a position, where they must seek the welfare of the whole but never be permitted to indulge in party politics which, in their very nature, contain elements of sectional antagonism and conflict.

"As I have just stated, the national structure cannot take the form of a political party, especially when it is led by the Government. Neither can it be allowed to take the form of a single party system. This political system takes a 'part' and makes of it a 'whole'; considers the State and the Party as one and the same thing; it views any opposition to the Party as a revolt against the State; it renders permanent the ruling position of one Party with the

head of that Party as a permanent wielder of the power to govern. No matter what brilliant results such a system may have reaped in other lands, it is not acceptable in Japan because it is contrary to the basic principle of our national polity of 'One Sovereign over all.' In Japan, it is the privilege of all His Imperial Majesty's subjects to assist the Throne and that privilege cannot be monopolized by the power of either a single individual or a single party.

"If there should arise a difference of opinion concerning the assistance to be offered, the final decision would rest with the Throne. And once an Imperial decision has been given, all the subjects of the Throne should unite in obeying His Majesty's Word. That is the true essence of Japanese polity.

"In short, the new national structure means a nation-wide and permanent organization in which the Japanese people in all walks of life are to fulfil their duty of assisting the Throne.

"Although the perfection of this structure is by no means an easy task, the Government are convinced that it provided the best means for surmounting the difficulties of these times.

"His Imperial Majesty the Emperor was pleased to grant a message on February 11 of this year, showing to His subjects the way in which we should face the present situation. The Government, in obedience to the Imperial Word, are taking the lead on this national movement to assist the Throne. They are resolved to overcome the great obstacles that confront our country, and to fulfil the heavy responsibilities which are theirs to guard and maintain the prosperity of the Imperial Throne."

## CHAPTER VI

## FOREIGN RELATIONS

## Foreign Relations Since 1914

(As regards Japan's foreign relations up to 1914 see the Japan Year Book, 1937, pp. 183-187.)

**The World War** Less than two months after the outbreak of the European War, Japan participated on the side of the Allies, sending an ultimatum to Germany on August 16, 1914, followed by declarations of war on Germany and Austria on August 23 respectively. Refusing to send troops to Europe, she confined her activities to an attack on the German fort at Tsingtao and the rendering of naval assistance for the protection of Allied shipping in the southern Pacific and other waters.

At Tsingtao, the Japanese military and naval forces occupied the German base on November 7, 1914, after operations lasting only a week. In the meantime, the Japanese Navy occupied between October 3 and 19 all islands in the southern Pacific north of the equator with the exception of the Island of Yap, which a British squadron had taken before the arrival of the Japanese. From the beginning Japan insisted on occupying these islands permanently, and, in March, 1917, a secret agreement between Japan and Great Britain provided for the permanent occupation of these islands by Japan in return for her despatch of destroyers to the Mediterranean Sea. At the Peace Conference, however, her claim to permanent sovereignty was rejected and she was given only a mandate over the islands.

**The Washington Disarmament Conference** Japan first participated in international efforts to limit armaments in 1921 at the Washington Conference which opened on November 11. After strongly insisting on a 7-10-10 ratio against the navies of Great Britain and the United States, she accepted a 3-5-5 ratio with regard to capital ships.

At this conference, Secretary Hughes of the United States proposed with regard to capital ships that the United States, Great Britain and Japan scrap respectively 30 ships totaling 845,740

tons, 23 ships totaling 583,375 tons and 17 ships totaling 448,928 tons, including those in course of building, and that the three countries be allowed to retain 506,050 tons in 18 ships, 604,450 tons in 22 ships and 299,700 tons in 10 ships, respectively. After negotiations on the basis of the Hughes proposal, an agreement was reached, with some changes made in the ships to be scrapped. By this agreement Japan was allowed to retain the "Mutsu" instead of the "Settsu" and the United States the "Washington" and the "Colorado" instead of the "North Dakota" and the "Delaware," while Great Britain agreed to scrap four King George V class ships, building two new ships of not more than 35,000 tons each instead. Consequently, the capital ship tonnage which the three Powers were allowed to retain was 525,000 tons in 18 ships for the United States, 581,200 tons in 20 ships for Great Britain and 313,000 tons in 10 ships for Japan.

As regards the replacement of obsolete ships, it was agreed that capital ships might be replaced after 20 years in service, providing that the new ships do not exceed 35,000 tons each in displacement. On completion of the replacement stipulated above, the United States and Great Britain were to have 13 capital ships totaling 525,000 tons each against 9 ships aggregating 315,000 tons for Japan, while France and Italy accepted a total capital ship tonnage of 175,000 tons each.

With regard to auxiliary ships, no agreement was reached on the total tonnage for each country, France claiming 350,000 tons in auxiliary ships and 90,000 tons in submarines, to which Great Britain and the United States were vigorously opposed. The proposal made by Britain favouring the total abolition of submarines added to the difficulties of making a total tonnage agreement re-

garding auxiliary ships. It was finally decided that an auxiliary ship must not exceed 10,000 tons in displacement and must not carry guns of more than 8 inches in calibre.

As to fortifications and naval bases in the Pacific, it was agreed that the status quo should be maintained.

In addition to the general disarmament treaty the five Powers also concluded an agreement limiting the use of submarines and poison-gas in warfare.

At this conference, Japan was represented by Admiral Baron Tōmosaburo Kato, then Minister of Marine, and the treaty was to remain in force until December 31, 1936.

**Tri-partite Conference** This conference opened on June 20, 1927, and was participated in by Japan, Great Britain and the United States, with a view to settling certain questions left over from the Washington Conference. Japan was represented by Admiral Viscount Makoto Saito, then Governor-General of Chosen. But the conference ended in failure and the three Powers concerned closed the conference after publishing a joint declaration.

**The London Conference** At the naval disarmament conference called in London on January 21, 1930, in which the United States, Great Britain, Japan, France and Italy participated, the Japanese delegation, headed by Reijiro Wakatsuki, upheld what they called "the three great principles" of Japan. These were (1) a total tonnage of 8-inch gun cruisers for Japan equal to 70 per cent of that possessed by the United States, (2) no abolition or material reduction of submarines and maintenance of the then existing submarine strength of Japan, i.e. 78,500 tons, and (3) a ratio of 7-10 against the United States in the global tonnage of auxiliary vessels on the basis of the two foregoing conditions.

Besides extending the naval holiday for a period of another six years, the London Naval Treaty, which was signed on April 22, 1930, affected Japan in the following respects:

(1) Japan was required to remove from active service the capital ship "Hiō", although she was allowed to retain it for training purposes.

(2) Japan was allowed to replace the minelayers "Aso" and "Tokiwa", provided that the two new ships should not exceed 3,000 tons in displacement.

(3) Japan was required to dispose of the "Asama", "Yakumo", "Izumo", "Iwaté" and "Kasuga" when the first three vessels of the Kuma class were replaced by new ships.

**London Conference in 1935** Japan was represented by Admiral Osami Nagano and Matsuza Nagai, former Japanese Ambassador to Berlin, at the naval disarmament conference that met at London in 1935, in accordance with the London Naval Treaty of 1930, Part V (2). Admiral Nagano advocated the establishment of a common upper limit of naval armaments to be fixed as low as possible and reduction of offensive armaments to assure the principle of "non-menace and non-aggression." But Japan's proposal failed to obtain support from other nations, and so following the final presentation of Japan's formula and the other delegations' rejection of it the Japanese delegation informed Viscount Monsell, on January 15, 1936, that it could no longer usefully continue participation in the conference and withdraw from it.

In the meantime, the Japanese Government notified the U.S.A. Government their intention to terminate the Washington Naval Treaty, on December 29, 1935, and all the agreements, except Part IV of the London Naval Treaty, between Japan, Great Britain, U. S. A. and other two nations on the limitation of naval armaments lost force on December 31, 1936.

**The League Disarmament Conference** Late in 1932, when the general disarmament conference was called at Geneva after years of preparation by the disarmament commission of the League of Nations, Japan also submitted a plan of her own with regard to naval limitation and reduction. This proposal, which was published on December 11, 1932, made it known that Japan was desirous of making it the guiding principle of the conference that offensive power should be reduced and that the geographical and other special circumstances of each country should be fully taken into consideration in making any settlement.

As regards the formula of the projected agreement, Japan proposed to divide it into general and special agreements. In the general agreement, it was proposed to arrange for the qualitative reduction of all vessels, and also the quantitative reduction of "offensive"

vessels, belonging to Japan, Great Britain, the United States, France and Italy.

With regard to the special agreement, all the countries of the world should be divided into four groups, under (1) the Pacific group, (2) the Atlantic group, (3) the European group and (4) the South American group; and each group should arrange for limitation and reduction of the armament of each of its members. Any country interested in more than one group should participate in the disarmament discussions of all groups in which it is interested.

#### Relations with Great Britain

**Abrogation of 1905 Convention** The trade relations between Japan and India received a serious setback in 1933 when notice was served Japan in April through the British Government of the abrogation on October 10, 1933, of the Indo-Japanese Trade Convention of 1905.

This step was followed by an increase of the import duty of the Indian Government on Japanese cotton fabrics from 50 per cent to 75 per cent ad valorem on June 6, 1933. The duty on British cotton fabrics remained at 25 per cent. This drastic action on the part of the Indian Government caused the Japanese cotton spinners to boycott Indian cotton, and the situation was such that the British Government suggested the opening of negotiations between the industrial and trade interests of Japan, India and Great Britain in the hope of finding a solution.

**Simla Conference** Opinion was divided among industrialists in Japan with regard to acceptance of the British proposal, but it was finally decided to send representatives both to London and Simla to confer with representatives of the British and Indian interests. For the Simla conference, which was scheduled to be held on September 22, with the British and Indian delegates present, Setsuzo Sawada, former chief of the Japanese Bureau of the League of Nations, Susumu Terao, Chief of the Trade Bureau of the Commerce and Industry Ministry, and Tetsuichiro Miyaké, Consul-General at Calcutta, were appointed to represent the Japanese Government, although they were not given full powers because the British Government had made it known that any agreement to be reached at Simla was subject to the approval of the British Government, while no official assurance

was obtainable as to whether such an agreement would be adopted by the British Government without modification.

The Agreement Negotiations were not easy due to conflicts of interests of the two countries and more than 3 months was spent before it came to the final agreement of January 5, 1934, at New Delhi. Agreement was reached on various important problems relative to the commerce between Japan and India, including: (1) most-favoured-nation treatment; (2) a provision to open negotiations with a view to modify the customs tariff; (3) measures to be taken to adjust the effects of the exchange fluctuations; (4) customs duties applicable to Japanese cotton piece-goods imported into India; (5) a quota to be applied to the same; and (6) enforcement of the agreement entered into.

The Indo-Japanese Trade Agreement was signed in London on July 12, 1934.

**Revision of the Convention** According to the proposal of the Japanese Government, which was presented on April 21, 1936, for revision of the Japanese-Indian convention, negotiations were opened between Yonezawa, the Japanese Consul-General at Simla and the Commercial Secretary of the Government of India on July 20. After the commencement of the negotiations the British Government notified the Japanese Government on October 21 of its intention to abrogate the Japanese-Indian convention of July 12, 1934. Consequently the Japanese-Indian negotiations were continued at Delhi and resulted in an agreement.

**Anglo-Japanese Trade Issue** (See the Japan Year Book, 1935, pp. 195, 196.)

With reference to an adjustment of the relations between Japan and Great Britain, Shigeru Yoshida, the Japanese Ambassador at London, started his activities in May, 1936, utilizing every occasion available for taking up the question with the British Authorities. As trade relations between the two nations are considered the principal factor responsible for the aggravation of the Anglo-Japanese relations, an Anglo-Japanese trade commission was created to try and adjust any trade differences. The commission held its first meeting on November 4, when, attended by 20 British and Japanese members, an exchange of views took place.

On April 11, 1937, the Keelung affair involving the trouble caused between

some sailors belonging to the British 1st Eastern Squadron and the police authorities in Keelung, which had been pending since October, 1936, was settled and the seemingly strained situation was greatly eased. To add to the influence brightening the prospects of Anglo-Japanese relations, the coronation of King George VI was held in London in May with Prince Chichibu attending on behalf of the Emperor of Japan, thereby renewing the friendship between the British Royal Family and the Japanese Imperial Family.

**The Ladybird Incident** On December 12, 1937, British men-of-war the Ladybird, the Bee, the Cricket and the Sparrow were by mistake subjected to gunfire and aerial bombing by Japanese forces in the vicinities of Wuhu and Nanking in the course of Japanese attack on Nanking. On December 14, Foreign Minister Koki Hirota presented a note of apologies to Ambassador Sir Robert L. Craigie assuring that the Japanese Government had already taken necessary steps to prevent the recurrence of an incident of such character, that it would, upon the completion of investigations, deal appropriately with those responsible for the incident, and that it was prepared to make necessary indemnification for the losses sustained by the British.

On December 31 the British Ambassador sent a final note to the Foreign Minister informing the latter that the British Government noted with appreciation the assurances contained in the Japanese note of December 28 and learned with satisfaction that the statements of the Japanese note of December 14 applied to merchant vessels as well as to warships and also that the Japanese Government had taken or was prepared to take the necessary disciplinary measures to prevent any repetition of such incidents.

#### Japano-Canadian Trade Relations

Japan applied the Commerce Adjustment and safeguarding Law against the Canadian goods in July 1935 in answer to the latter's placing prohibitive high tariff walls against the Japanese goods. Circumstances surrounding the matter were treated in the Japan Year Book of 1935, pp. 443-445. Even then there was an indication that a new agreement would be arranged between the two countries. In the meantime negotiations were made between Minister Kato and

Premier King and a new agreement was made on December 26, 1935, which has been in operation since January 1, 1936.

The Canadian Government has decided to cancel on January 1, 1936, the surtax of 33 1/3 per cent ad valorem levied on goods the produce or manufacture of Japan under the regulations made by Order in Council P.C. 2108 of July 22, 1935, as modified by Order in Council P.C. 2317 of August 3, 1935.

The Japanese Government decided to cancel on January 1, 1936, the surtax of 50 per cent ad valorem levied on certain goods the produce or manufacture of Canada under the provisions of the Imperial Ordinance No. 208, 1935 and the proclamation No. 162 of the Department of Finance of Japan of July 20, 1935.

#### Trade Relations Between Japan and Australia

Japan was again compelled to apply the Commerce Adjustment and Safeguarding Law or Trade Protection Law against Australia on June 25, 1936, under the circumstances explained in the declaration of the Japanese Government, full text of which was given in the Japan Year Book, 1936, pp. 198-200. But the negotiations since succeeded in bringing about a provisional agreement between the two countries on December 26, 1936, and the Government of the Commonwealth of Australia decided to take necessary actions as on and from January 1, 1937, in relation to trade between Australia and Japan as stated in p. 172, the Japan Year Book, 1936-40.

Any cotton piece-goods or any artificial piece-goods exported from Japan within the quota allotment during the period ending June 30, 1938, but not arriving in Australia until after that date, will be admitted into Australia provided they are imported into Australia not later than September 30, 1938.

In answer to the above the Japanese Government decided to take counter actions as on and from January 1, 1937, in relation to trade between Japan and Australia.

#### Japan-Dutch Conference

On the heels of the Indo-Japanese trade conference, Japan decided to ne-

gotiate on trade terms with Holland. In the talks at The Hague in December, 1933, between the Dutch Premier and Japanese diplomatic representatives, it was decided that Japanese and Dutch delegations negotiate in Java on the trade relations of Japan and the Dutch East Indies and that the outcome of their discussions be further debated at The Hague by representatives of both governments.

With the purpose, on the part of the Dutch East Indies, to adjust the one sided trade relation with Japan for it bought ¥157,487,000 and sold ¥55,709,000 in 1933, the Japan-Dutch trade conference was opened at Batavia on June 8, 1934.

General committee meetings were opened on June 26 and adjourned indefinitely without any result on December 21, 1934.

**Shipping Conference** For some time since 1931 there had been a very severe competition in freight business between the Java, China and Japan Line and the Japanese shipping companies. In order to improve the situation a freight conference had been arranged towards the close of 1932 between the above-mentioned Dutch line and the Japanese shipping interests. In 1934 parties interested in the quota system of cargoes held a conference at Kobe. After the Japan-Dutch Conference, a new Conference was held at Kobe in February, 1935. But before discussing any question of practical importance the conference came to a deadlock as soon as the question of language to be used came up, and, on February 22, the Conference was adjourned.

Since the rupture of the Kobe Conference the Dutch Government barred imports of the Japanese goods through the issuance of ordinances restricting imports and business, and through a restriction placed on handling of imported goods by the Japanese companies, which resulted in a marked decrease of imports of Japanese goods, the former ratio of trade between Japan and the Dutch East Indies which was 3 to 1 having been changed to 2 to 1.

The freight conference on Japan-Java-Line expired in June, 1935 and the freight competition became very severe. Japan then established the Nanyo Kalun Kaisha, Ltd., with the Ishihara Sangyo, the Nanyo Yusen, and

the Osaka Shosen as its investing companies. The result, however, was adverse to Japanese shipping companies. The ratio of placing of steamers which was 7 to 8 in Japan's favour has become 3 to 2.

In November of 1935 a shipping conference was held at Kobe, but both sides stuck to their own views and the conference brought about no satisfactory result. Later the matter was taken up again by the Japanese Consul-General Ishikawa at Batavia with the officials of the Dutch Government, and on June 1936 an agreement was made between the two countries. According to this new agreement, the Japanese steamers have been enabled to load 64.28 per cent of the outgoing cargoes and 60 per cent of incoming cargoes.

The Japanese-Dutch negotiations entered their main stage in the autumn of 1936 and on April 9, 1937 an agreement of opinion was reached between the Japanese and Dutch representatives. Thus after a three years' effort, the negotiations between the two countries were brought to a successful end. It was decided that the new agreement should be signed formally at The Hague as a supplement to the Japanese-Dutch Treaty of Commerce and Navigation of 1931.

#### Relations with Soviet Russia

After the Siberian expedition in which Japan participated from 1918 until 1920, diplomatic relations were not restored between the Japanese and Russian Governments until 1924, although Japan had withdrawn her troops from Siberia a few years previously.

After her participation in the World War, Japan concluded an agreement with Russia on July 3, 1916 for the purpose of preventing Russia from making peace with Germany independently of the other Allies. At this time there was a rumour that the two countries had concluded an offensive and defensive alliance. Following the establishment of the communist régime in Russia, in 1917, Japan sent the 3rd and the 12th divisions and a part of the 7th division to Siberia between August and October of 1918, in compliance with a proposal from the United States, in order to enable some

30,000 Czechoslovak troops (formerly prisoners of war taken by the Russians from the Austrian armies) to establish contact with the Allied armies in the East. This expedition automatically disrupted the diplomatic relations between Japan and Russia, and even after the Czechoslovak troops had re-established liaison with the other Allied armies, the Japanese remained in Siberia with fresh troops relieving the first expeditionary forces. The American and other foreign troops were withdrawn early in 1920, but Japan in spite of the demand for withdrawal by the Soviet Government of Irkutsk on March 11, 1920, continued to station her troops in the vicinity of Vladivostok and Habarovsk for the professed purpose of protecting the Japanese residents there. On March 18 and 19, 1920, partisan troops attacked the Japanese consulate, Nikolaevsk, killing all the officials and guards. On March 31, the Japanese Government issued a statement to the effect that Japan had no territorial designs in Siberia, but that the withdrawal of troops was impossible in the circumstances. Japan maintained relations with the Far Eastern Republic, constituted an independent state in February, 1921, until January, 1922, when this region was incorporated in the U.S.S.R.

With a view to restore diplomatic relations with Soviet Russia, with which she shared interests on the Asiatic mainland, Japan undertook to negotiate with the Russian representatives on several occasions at Changchun and Dairen. Such efforts were resumed in 1923 in Tokyo, where Joffe and Toshihiko Kawakami met in conference officially representing Soviet Russia and Japan through the good offices of Count Shimpéi Goto, but no satisfactory results were forthcoming. It was at Peking that the diplomatic relations between the two countries were resumed officially on January 20, 1925, when Kenkichi Yoshizawa, the Japanese Minister there, succeeded in concluding an agreement with Karakhan, the Soviet representative, after seven months' negotiations.

**The Fishery Dispute** The first convention between the two countries had been concluded in 1907, and after the resumption of Soviet-Japanese relations, efforts were made for its revision and, following the visit to Russia

by Count Shimpéi Goto in this connection, the revised convention was signed on January 24, 1928, remedying such provision as had proved disadvantageous to the Japanese and otherwise improving the pact to meet the new situation. However, this revision was later found to be imperfect and disputes arose one after another between the Japanese fishing interests and the Soviet authorities regarding the details of the fishery convention.

In view of difficulties arising from the differences between the two countries in the interpretation of the provisions of the Fishery Convention, Japan proposed on June 22, 1931, to open a conference with Soviet Russia to reconsider the whole convention. After a delay of five months, Soviet Russia consented to negotiate with Japan and pourparlers were started between Koki Hirota, the Japanese Ambassador, and Karakhan, Assistant Commissar of Foreign Affairs of Soviet Russia, on November 27, 1931. No substantial progress, however, was made during the negotiations, which were carried on with frequent interruptions for several months.

As Japan thought it necessary to revise it, the Foreign Office caused Ambassador Tamékichi Ohta, in Moscow, to make a proposal to the Moscow Government in May, 1935, one year prior to the date of maturity, in conformity with Article XV of the treaty, for its revision.

On April 10, 1936 the Japanese Government proposed, at the conference held at the Embassy at Moscow between the Councillor Sako and B. I. Kozlovsky, second head of the eastern department of the Foreign Commissariat, to revise the 1928 fishery convention and to extend 1932 Hirota-Karakhan agreement for 12 years, which the Soviet declined. As the basic claim of Japan was not heeded the negotiation was impossible to come to a satisfactory close before May 27, which was the final date set for the revision of the convention. However, a provisional agreement for the extension of the 1928 convention was signed at Moscow on May 25. According to this agreement, the present convention has become valid till December 31, 1936.

**Non-Aggression Pact Proposal** (See the Japan Year Book, 1935, p. 199).

**Negotiations for Sale of the N. M. R.** Through the good offices of the Japanese Government a conference was opened in Tokyo on June 26, 1933, between representatives of Soviet Russia and Manchoukuo regarding the proposed sale of the North Manchuria Railway (formerly the Chinese Eastern Railway). Japan took no active part in the railway negotiations, except that a few Japanese officials attended the sessions as observers.

The negotiations were concluded on January 21, 1935, and on March 23 the signing of the agreement took place at the official residence of the Foreign Minister in Tokyo.

**North Saghalien Oil Concession** The North Saghalien Oil Concession contract, based on Article VI of the Japanese-Soviet Basic Treaty, concluded in October, 1925, has proved very disadvantageous to Japan as well as the Japanese-Soviet Fishery Treaty.

Negotiations were opened between the president of the Karafuto Petroleum Company and the authorities of the Soviet People's Commissariat for Heavy Industries in the spring of 1936, which resulted in an understanding to extend the term of the Japanese right to prospect the oil resources in the northern half of Saghalien by five years. Documents containing detailed items of the understanding were signed at Moscow on October 19, 1936, between the president of the Japanese company and the Soviet People's Commissar for Heavy Industries.

**Changkufeng Incident** A border trouble with the U. S. S. R. occurred at Changkufeng hill of Manchoukuo by the occupation of the hill by Soviet forces on July 12, 1938. Actual hostilities between Japanese and Soviet forces began at the end of July and continued for about 10 days. Despite its numerical inferiority, an unnamed detachment of the Japanese army repulsed attacks by the Soviets and held its position to the last. The Soviets mobilized three divisions of sharpshooters, 200 tanks and sent more than 100 airplanes.

During the 10 days of sustained engagements, a division of Soviet snipers was destroyed and about 100 tanks put out of commission. Without sending up a single machine, the Japanese brought down six Soviet planes. The Japanese casualties totalled 890.

On August 4, Kensuké Horinouchi, Vice-Minister for Foreign Affairs, invited the Soviet Chargé d'Affaires, Constantin Smetanin to the Foreign Office and made proposals to him for the cessation of hostilities and requested Smetanin to transmit the same promptly to his home Government and obtain its reply there-to.

At the same time the Japanese Government ordered Ambassador Shigemitsu in Moscow to enter into negotiations with Foreign Commissar Litvinoff for a quick settlement of the matter. At the end of the conversation between them on the night of August 10, 1938, the following agreement was concluded:

1. Both Japanese and Soviet forces shall cease all hostile operations from noon (Maritime Province time), August 11.
2. Japanese and Soviet forces are to maintain the lines held by them at midnight, August 10.
3. The details of the truce agreement are to be arranged by representatives of the two forces on the spot.

**Revision of Fishery Agreement** Although the German-Japanese agreement was directed against the Comintern, with which the Soviet Government declared itself to have nothing to do, and was aimed at the creation of a common German-Japanese front against Communism, the Soviet Government suspected that the pact were directed against the Soviet Union. Out of this suspicion, the Soviet Government went the length of refusing to sign a new fishery agreement with Japan, which had already been initialled. As a result, the Soviet-Japanese situation was greatly aggravated because it became impossible to enforce a new agreement to replace the Soviet-Japanese Fishery Agreement and the Hirota-Kurakhan Agreement, both scheduled to expire at the end of 1936. The situation was rectified only by making provisional arrangements for the extension of the terms of the said two agreements by one year.

Official documents embodying the provisional arrangements were signed at Moscow on December 25, 1936, between Mamoru Shigemitsu, the Japanese Ambassador to the U. S. S. R., and Stepanovskiy, the Soviet Assistant People's Commissar for Foreign Affairs. At the end of 1937, Japan was again obliged to

conclude a *modus vivendi*, owing to the attitude of the Soviet authorities.

#### Relations with the United States

The mutual friendship of Japan and the United States largely hinges upon their respective interests on the Asiatic continent, most notably in Manchuria and China proper. The United States first made it known in 1899 that she had a claim in China equal to that of other Powers by advocating the so-called open door policy. The United States thought it necessary to assert this principle in order to catch up with the other Powers, which had already acquired extensive interest in China, and it followed naturally that the Americans should sympathize with Japan in her desperate attempt in 1904-5 to force Russia out of Manchuria and leave the region open to all nations interested.

**The Four-Power Treaty** For the same reason the United States objected to Japan's occupation of Shantung during the World War. The result was that Japan formally restored the territory to China on May 17, 1919 and at the Washington Conference, 1921-22, agreed to complete evacuation thereof. The Four-Power Treaty, concerning the insular possessions of the signatories in the Pacific, and the Nine-Power Treaty, regarding the sovereignty and the open door principle of China, which were signed at the Washington Conference, also had a more important bearing upon Japan and the United States than on the other signatories. The Four-Power Treaty provided that the signatories should mutually respect the rights of the Powers regarding their respective insular possessions in the Pacific and also that in case a dispute arose regarding such rights with likelihood to prove detrimental to the peaceful relations between the powers concerned, the parties involved in such a dispute should call a joint conference of the other signatories to discuss settlement of the entire issue. So far as Japan is concerned, however, this provision applies only to Karafuto, the Pescadores and her mandated islands in the Southern Pacific. The most important provision in this treaty for Japan is embodied in its fourth article which stipulates that the Anglo-Japanese alliance, which had been concluded at London on July 13, 1911, should

terminate simultaneously with the conclusion of this treaty.

**The Nine-Power Treaty** The Nine-Power Treaty also has an important bearing on Japan in that it consolidated the open door policy in connection with China, where Japan has greater interests than any other foreign country, especially in Manchuria. This treaty was invoked against Japan both by the United States and the League of Nations in connection with the Manchurian incident.

In the first article of this treaty were incorporated what are known as Root's Four Principles providing, first, that the sovereignty and independence as well as the territorial and political integrity of China should be respected, second, that most perfect and unrestricted opportunities should be offered China in order that she might be able to establish and maintain a powerful stable government, third, that efforts should be made to establish and maintain the principle of equal opportunity for commerce and industry to be undertaken by people of all nationalities throughout the territory of China, and fourth, that the signatories should refrain from utilizing conditions in China to seek special rights or interests detrimental to the interests of the subjects or citizens of other friendly nations, or from recognizing actions detrimental to the welfare of such friendly nations.

**The Immigration Question** In view of the agitation in the United States against Japanese labour, the Tokyo Government had taken every precaution not to aggravate this issue and from 1907, when what is known as the "Gentleman's Agreement" was concluded, Japan continued to restrict emigration to the United States by limiting the issue of passports to prospective emigrants.

However, on August 19, 1913 the State of California promulgated the Alien Land Law (the Webb Bill) prohibiting Japanese and other aliens ineligible for citizenship from owning land, in spite of three protests by Baron Suteimi Chinda, Japanese Ambassador in Washington. In 1919, the Japanese Government took the further precaution of stopping the emigration of so-called "picture brides" to the United States, but nevertheless an ever

increasing anti-Japanese sentiment continued to prevail in the United States, and on April 19, 1920, the Federal Immigration Bureau revised the regulations governing the entry of the adopted children of Japanese parents. Moreover, the State of California enacted a second law of exclusion barring the Japanese and other aliens from leasing land, or owning land in the name of corporations or from operating land owned in the name of their American-born children.

The immigration problem assumed its greatest gravity in 1934, when the United States Congress passed a new federal immigration law, which included a provision absolutely prohibiting immigration of Japanese laborers. While this bill was before the Congress, the Japanese Government instructed its ambassador at Washington, Masanao Hanihara, to call the attention of the United States Government to the importance attached by the Japanese to the proposed legislation. The steps taken by Hanihara, however, resulted in provoking the American sentiment owing to a phrase "grave consequences" which he used inadvertently in a communication to the Secretary of State, Hughes.

When the United States President signed the bill on May 24, 1924, the Japanese Government sent in a strong protest but could not improve the situation in any way. The Japanese people took this action on the part of the United States as a serious insult to their national honour.

A resolution calling for ejection of Japanese farmers within the next 10 days from Arizona farmlands was adopted at a convention of about 200 American tenant farmers near Phoenix, the state capital of Arizona in the United States, on August 15, 1934. Movements to force Japanese farmers out of their farmlands was subsequently staged several times. These American farmers approached the Governor of the State to recognize their movement, but, when he rejected their petition they resorted to direct action to force Japanese farmers out. The situation then spread to California and in February 1935, an anti-Japanese exclusion bill was submitted to the Californian State Legislature. The bill provided for an absolute prohibition of Japanese people from engaging in agriculture under any circumstances. The exclu-

sion bill was submitted to an agriculture committee of the Lower House and then was turned over to a judicial committee. Finding that the bill was too exacting and aimed at depriving the Japanese farmers of the right of agriculture, the committee feared its inconsistency with the U. S. Constitution and submitted it to the plenary session of the Californian State Lower House with a desideratum for amendment, but it was shelved at the Upper House. The problem thus was apparently solved, but the exclusion tendency against Japanese was growing keener. Even Japanese who legally entered that country and are engaged in peaceful vocations are not given the treatment accorded the American citizens.

**Stimson Idealism** The attempted intervention in the Manchurian and Shanghai affairs in 1931 and 1932 by the American Secretary of State, Col. Henry L. Stimson, at one time seemed to menace seriously the relations between Japan and the United States.

**Hirota-Hull Messages** As soon as Koki Hirota took office as Foreign Minister he commenced to devote himself to strengthen Japan's friendly relations with her neighboring countries. As one of the manifestations of such endeavor, he sent through H. Salto, the new Ambassador, his personal message to Hull, the Secretary of State of the United States, on February 21, 1934:

"I firmly believe that, viewed in the light of the broad aspect of the situation and studied from all possible angles, no question exists between our two countries that is fundamentally incapable of amicable solution. I do not doubt that all issues pending between the two nations will be settled in a satisfactory manner, when examined with a good understanding on the part of each of the other's position, discussed with an open mind and in all frankness, and approached with a spirit of co-operation and conciliation."

To this, Secretary Hull replied on March 3 with his personal message in the form of a letter to Hirota, a summary of which is as follows:

"I believe that there are, in fact, no questions between our two countries which, if they be viewed in proper perspective in both countries, can with any warrant be regarded as not readi-

ly susceptible to adjustment by pacific processes."

#### American-Japanese Relations in 1936

The diplomatic relations between Japan and the United States have been quite amicable although arguments were exchanged between them regarding the naval question. Apart from the naval question, mention must be made of the fact that the United States raised its tariffs on Japanese cotton cloth. In May, 1936, Congress and industrialist circles in America urged the Japanese Government to control exports of cotton cloth but arrangements in this connection failed to be concluded.

Reference may also be made of the fact that since the autumn of 1936, there have been increasing signs pointing to the possibility of the Japanese salmon-fishing operations off Alaska being made an issue.

**The Panay Incident** On December 12, 1937, the United States gunboat Panay and three steamers belonging to the Standard Oil Company were sunk by the bombing of the Japanese naval aircraft on the Yangtze River at a point about 26 miles above Nanking in the course of military operation around the Chinese capital.

On December 14, Foreign Minister Koki Hirota sent a note of apology to American Ambassador Joseph C. Grew, in which he informed that the Japanese naval air force, acting upon information that the Chinese troops fleeing from Nanking were going up the river in steamers, took off to pursue them and discovered such vessels at the above mentioned point, and due to poor visibility the aircraft, although they descended to fairly low altitudes, were unable to discern any mark to show that any one of the vessels was an American ship. Consequently the American ships, being taken for Chinese vessels, were bombed and sunk. And in the note the Foreign Minister stated that the Japanese Government regretted most profoundly that it had caused damages to the American ships and casualties, that the Japanese Government would make indemnifications for all losses and deal appropriately with those responsible for the incident, and that it had already issued strict orders to the authorities on the spot to prevent the recurrence of a simi-

lar incident.

On April 22, 1938, the Panay Affair was amicably and satisfactorily settled.

**Antiquated Nine-Power Treaty** On October 6, 1938, the American Government sent in a note of protest against the alleged discriminate treatment by the Japanese authorities of American citizens in China, violating the rights and interests of the United States. The Japanese Government answered the note, stating that there was no intention of interfering with American rights and interests in China and for the first time, hinted the inapplicability of the clauses of the Nine-Power Treaty to the new order of things in China, on November 13. The conclusion of the Japanese note is as follows:

"As has been explained above, the Japanese Government, with every intention of fully respecting American rights and interests in China, have been doing all that could possibly be done in that behalf. However, since there are in progress at present in China military operations on a scale unprecedented in our history, it may well be recognized by the Government of the United States that it is unavoidable that these military operations should occasionally present obstacles of giving full effect to our intention of respecting the rights and interests of American citizens. Japan at present is devoting her energy to the establishment of a new order based on genuine international justice throughout East Asia, the attainment of which end is not only an indispensable condition of the very existence of Japan, but also constitutes the very foundation of the enduring peace and stability of East Asia. It is the firm conviction of the Japanese Government that in the fact of the new situation, fast developing in East Asia, any attempt to apply to the conditions of to-day and to-morrow inapplicable ideas and principles of the past would neither contribute toward the establishment of a real peace in East Asia nor solve the immediate issues. However, as long as these points are understood, Japan has not the slightest inclination to oppose the participation of the United States and other Powers in the great work of reconstructing East Asia in all lines of industry and trade; and I believe that the new régimes now being formed in China are prepared to welcome such foreign participation."

## Relations with Germany

**Anti-Comintern Agreement** The Governments of Japan and Germany having decided on the fundamental policy of creating a common front against Communism, detailed negotiations were commenced during the latter part of July 1936, at Berlin between the Japanese Ambassador to Germany and the German authorities. The negotiations resulted in an agreement which was signed provisionally on October 23. After the approval of the Japanese Privy Council had been secured, the anti-Comintern pact was formally signed on November 25 between Viscount Kintomo Mushakoji, the Japanese Ambassador in Berlin, and Colonel von Ribbentrop, the German representative. The pact went into effect simultaneously with the signing.

The conclusion of this agreement with Germany attracted a great deal of public attention all over the world as the most important diplomatic step taken by Japan since her withdrawal from the League of Nations in 1933. On November 25, 1936, the Japanese Foreign Office issued a statement announcing the signing of the agreement and explaining its significance as follows:

1. Ever since its establishment the Communist International, or the so-called Comintern, with its headquarters at Moscow, has been engaged in all sorts of activities, greatly menacing the peace of the world, for the purpose of destroying the national and social structures in every country in pursuance of the fundamental policy of world revolution. At its Seventh Congress, held in the summer of last year, the Comintern decided on a policy of organizing a united front with the Second International to oppose Fascism and imperialism and at the same time made it plain that the future objectives of Comintern activities were to be Japan, Germany and Poland. It further resolved to support the Chinese Communist armies in order to fight Japan. The actual operations subsequently carried on by the Comintern have become extremely ingenious, rendering them all the more dangerous.

As to the extent to which the Comintern interferes with the internal affairs of all countries and exerts a baneful influence on the well-being of nations and the peace of the world. It is only necessary to recall the disturbances in Spain to realize its magni-

tude. At least those countries that lodged protests with the Government of the Soviet Union at the time of the Comintern congress certainly have full cognizance of the harmfulness of Comintern activities.

2. The Communist invasion has hitherto been more marked in the Orient, especially in China, than elsewhere. Outer Mongolia and Sinkiang have already suffered from its calamitous effects, and China proper is now being subjected to the depredations of the Communist armies. As a matter of fact, the activities of the Comintern in China have increased notably in vigor since its Seventh Congress.

In Manchoukuo also the Comintern through the Manchurian district committee of the Chinese Communist Party has been surreptitiously endeavoring to organize cells, to win over and instigate bandits and to direct the raids by partisan troops all over the country.

In Japan, the extreme leftist movement temporarily showed signs of decline after the Manchurian incident, but since the Seventh Congress of the Comintern it has again become energetic. It has crept into the channels of lawful agitation in conformity with the resolution of that congress and has launched a unified front movement that is intended to be the basis for revival of the Communist movement.

3. The Japanese Government, which, in order to safeguard Japan's immutable national policy and insure national security and to maintain everlasting peace in East Asia, has pursued a clear-cut and consistent policy toward the Comintern, finds it necessary to take more rigorous measures of self-defense against the increased menace set forth above.

The organization and activities of the Comintern being of an international character, any programme of counter-action should necessarily be based on international co-operation. Germany, ever since the establishment of the present régime in 1933, has put into execution drastic anti-Communist policies. Last year at the Seventh Congress of the Comintern, Germany and Japan were selected as the special objectives of Comintern operations. Thus Japan and Germany are placed in similar circumstances vis-a-vis the Comintern. Consequently the Japanese Government, as the first step in its defensive undertaking, conducted negotiations with Ger-

many and concluded an agreement on November 25, to take effect immediately.

4. This agreement, the fundamental object of which is common defence against the destructive operations of the Comintern, contains provisions for the exchange of information regarding Comintern activities, for consultation and execution of joint invitations to third Powers. There is, besides, a supplementary protocol stipulating in concrete terms the manner in which the agreement is to be executed.

5. The Japanese Government is desirous of co-operating with as many Powers as possible for the purpose of perfecting its defensive measures against the Comintern menace, but for that purpose alone. It should be pointed out that in connection with, or behind, this agreement there exists no other agreement whatsoever, that the Japanese Government has no intention to form, or join in, any special international bloc for any other purpose and finally that the present agreement is not directed against the Soviet Union or any other specific country.

**Cultural Cooperation** On November 25, 1936, the two countries entered into an agreement for furthering their traditional cultural relations.

## Relations with Italy

**An Understanding** The friendly relations between Japan and Italy were greatly improved by the avowed intention of the Italian Government to create a consulate-general in Manchoukuo and the decision of the Japanese Government to close its legation in Ethiopia following the annexation of that territory by Italy. Taking advantage of the situation, negotiations were opened between the two Governments concerned during the early part of November, 1936, following the conclusion of the German-Japanese anti-Comintern pact, for the conclusion of an Italo-Japanese agreement.

The negotiations were aimed at the virtual recognition of Manchoukuo by the Italian Government, the creation of a Japanese consulate in Ethiopia and the maintenance and promotion of the economic interests of Japan in that territory. Announcements were issued on December 28, 1936, both in Tokyo and Rome, concerning the Italo-Japanese agreement which took the form of an understanding.

**Anti-Comintern Agreement** Italy entered the Agreement on November 6, 1937. The account is given in the "Tripartite Agreement against the Comintern Activity," contained in this Chapter.

**Cultural Cooperation** The relation of Japan and Italy was further strengthened with the conclusion of an agreement on cultural cooperation on March 23, 1939.

**Italy Helping Japan** From the beginning of the China Affair in 1937, Italy, understanding Japan's true motives, had collaborated with Japan along all lines. At the Brussels Conference of the Signatory Powers to the Nine Power Treaty, the Italian Government supported Japan most consistently and energetically. A supplementary agreement to the Italo-Japanese Treaty of Commerce relating to the Italian colonies was signed in 1937.

## The Tripartite Agreement against the Comintern Activity

The German-Japanese Agreement against the Communist International which had been concluded on November 25, 1936, was reinforced by the participation therein of Italy. The tripartite protocol was made public on November 6, 1937, when the Sino-Japanese conflict was in full swing, and the Nine-Power Conference was in session at Brussels. With the signing of the tripartite protocol the solid front that had been built against the Comintern activities both in Europe and Asia was further strengthened, making the communist bulwarks morally and materially weaker. Some indirect results of the tripartite agreement were the Japanese recognition of the Franco Government in Spain on December 1, 1937, mutual recognition between the Manchoukuo Government and the Franco Government on December 2, and the withdrawal of Italy from the League of Nations on December 11, thereby Italy concluding the dispute with the League regarding her claim on Abyssinia.

The gist of the statement of the Japanese Foreign Office concerning the conclusion of the tripartite protocol published on November 6, 1937, and the English translation of the main clauses of the protocol are given below: (For the original text of the protocol see Appendix, the Japan Year Book, 1939-40.)

At 11:00 a.m. (7:00 p.m. Tokyo time) today, November 6, the Protocol concerning the participation of Italy in the Japanese-German Agreement against the Communist International has been signed in Rome between the delegates of Japan, Germany and Italy, and has immediately come into effect.

Article 2 of the Agreement against the Communist International, which was concluded in Berlin between Japan and Germany on the 25th November last year, provides that the two countries should jointly invite participation of third Powers in the agreement. It is in accordance with this provision that the participation of Italy has been brought about, the country being as firmly determined as Japan and Germany to oppose the destructive operations of the Communist International.

**Protocol between Japan, Germany and Italy** The Imperial Government of Japan, the Government of Italy and the Government of Germany, in consideration of the fact that the Communist International is constantly endangering the peace and order of the civilized world in the Orient and the Occident, were convinced that only a close collaboration between all the Powers interested in the maintenance of peace and order can check and eliminate that danger. Italy, which since the establishment of the Fascist régime has combated that danger with inflexible determination, has decided to range herself against that common enemy and agreed as follows:

#### Article 1

Italy participates in the Agreement against the Communist International and subscribes to the Supplementary Protocol concluded on November, 25, 1936, between Japan and Germany, texts of which are attached to the present Protocol.

#### Article 2

The three Powers signatory to the present protocol agree that Italy is to be considered as an original signatory of the agreement and the supplementary protocol mentioned in the preceding Article, the signature of the present protocol being equivalent to signature of the original texts of the agreement and the supplementary protocol.

#### Article 3

The present protocol shall form an integral part of the agreement and the supplementary protocol mentioned above.

**Manchoukuo and Hungary's Entrance** On February 24, 1939, Manchoukuo and Hungary signed at Hsinking and Budapest respectively the Protocols for their participation in the Agreement for Safeguarding against the Communist International with Japan, Germany and Italy.

Manchoukuo had been endeavoring in cooperation with Japan to eradicate Communism. Her international position had been greatly strengthened through formal recognition extended by Hungary, following a similar step taken by Salvador, Germany, Italy and Spain, and now with her participation in the Agreement it was further strengthened so that she may act with a greater conviction in her own power as an important factor in the formation of the new East Asiatic Order.

A faction of communist radicals under Bela Kuhn usurped the power of the Hungarian Government in 1919, by taking advantage of the confusion resulting from the World War, and attempted to form a socialistic league of nations by entering into a military alliance with the Soviet Union. But Hungary succeeded in suppressing the communist revolution, and has since continued to exert her utmost effort to combat the Comintern. When Hungary declared that she would join the Agreement, the Soviet Union recalled her Minister at Budapest, demanding at the same time the closure of the Hungarian legation at Moscow, in an attempt to check Hungary. Hungary, nevertheless, joined the Agreement fully demonstrating her strong determination.

**Spain's Entrance** Spain, reborn under the leadership of General Francisco Franco, formally participated in the Anti-Comintern Agreement on March 27. The Comintern, which failed utterly in its efforts to bolshevize Germany and Italy in previous years, laid the front line in Spain for the bolshevization of all Europe. As a result, Spain was divided into two opposing factions, and the faction led by General Franco, surmounting numerous difficulties, finally occupied Barcelona early in 1939 and succeeded in pacifying the Catalonian sector. The Communist régime immediately collapsed, and

Madrid finally capitulated on March 25. The Spanish civil war which began two and a half years ago was thus brought to a close, culminating in a decisive victory for General Franco. The Powers in the Anti-Comintern front have early extended recognition to General Franco's Government and have been giving full support to that Government's work of subduing Communism.

#### Relations with France

**Request of Japan** In October 1937, the French Government decided on their own volition to prohibit the transportation of arms and munitions into China through French Indo-China. The Japanese Government appreciated this friendly attitude and relied upon the sincerity of the French Government for the actual carrying out of that decision.

However, as there was much to be regretted in the manner of executing the policy, the Japanese Government repeatedly called the attention of the French Government. During 1938 the Japanese Government demanded the French Government on two occasions to reconsider their attitude.

Each time the French Government promised the enforcement of the prohibition. But according to reliable information there continued to prevail a situation which by no means agreed with the replies of the French Government. As the result of the capture of Canton which intercepted the connection of the Chiang Kai-shek régime with Hongkong, the most important route left for the transportation of arms supply to that régime was through French Indo-China.

In view of the above circumstances the Japanese Government instructed Ambassador Sugimura at Paris to file a protest with the French Government requesting that Government to take appropriate steps immediately to prohibit the transportation of arms and munitions into China through French Indo-China, and stating at the same time that, in case the French Government failed to take such measures, Japan might be compelled in self-defence to take such measures as she deemed necessary.

Foreign Minister Prince Konoé requested the French Ambassador at Tokyo, Mr. Arsène-Henry, on October 28, 1938, to call at the Foreign Office,

and conveyed to the latter the same views of the Japanese Government mentioned above.

**Occupation of Hainan Island** On February 13, 1939, the French Ambassador Charles Arsène-Henry called on the Foreign Minister Hachiro Arita, at the Foreign Office to seek the Japanese Government's explanation regarding the object, duration and nature of the Japanese occupation of Hainan Island. Foreign Minister Arita assured the French Ambassador that Japan's occupation of Hainan Island had a military object to strengthen the blockade against Chinese vessels off South China, thereby accelerating the collapse of the Chiang Kai-shek régime, while the nature and duration of Japan's occupation of the island did not exceed military necessity. Foreign Minister Arita made it clear that Japan had no territorial designs on the island. The French Ambassador appreciated Foreign Minister Arita's explanation.

**The Spratley Islands** In March 31, 1939, the Japanese Government published a statement concerning the administrative jurisdiction over the Spratley Islands in the South China Sea as follows:

Shinnan Gunto (or the Spratley Islands) are a group of small reefs lying in the South China Sea, off the coast of French Indo-China. These reefs had long been known as ownerless. However, in 1917 Japanese began, before the nationals of any other country, to embark upon the economic development of the reefs, which has been continued ever since, by investing a considerable amount of capital and erecting various permanent establishments. The Japanese Government, officially recognizing the activities of these nationals, have on several occasions since sent warships to the reefs and been giving them various aids as occasion demanded. But the absence of administrative jurisdiction over the reefs has caused not only inconveniences with regard to the protection and regulation of the lives, property and enterprises of the Japanese nationals there, but also unnecessary disputes with France. Accordingly, the Japanese Government, in order to eliminate such inconveniences and disadvantages, have decided to place the reefs under the jurisdiction of the Government-General of Taiwan, and having published the fact under date of March



30, 1939, the Vice-Minister for Foreign Affairs Renzo Sawada notified the French Ambassador Charles Arsène-Henry to this effect on March 31.

**France Protests** The French Ambassador Arsène-Henry, called on Foreign Vice-Minister Sawada at the Foreign Office at noon on April 5 and, under instructions from his home Government, handed to him a note protesting against the Japanese Government's previous communication in connection with its decision to place the Shinnan Gunto under the jurisdiction of the Formosan Government-General.

The Foreign Vice-Minister told the French Ambassador that there is no room for consideration regarding the issue, which was decided on the basis of established policy, and that the Japanese Government would receive the note only as a matter of reference.

#### Japan-Siamese Relation

The Government of Siam notified Japan on November 5, 1936, of its intention to abrogate the Japanese-Siamese commercial treaty with a view to attain complete equality with other countries and to restore self-government, both legally and financially. In 1937 a new Treaty of Commerce was signed between Japan and Siam.

**Japanese-Burmese Commercial Treaty** As Burma was scheduled to be separated from India on April 1, 1937, negotiations were opened between representatives of Japan and Burma at New Delhi in December, 1936, for conclusion of a Japanese-Burmese commercial treaty. As a result, a protocol was signed provisionally between Yonezawa, Japanese Consul-General, and the Financial Secretary of the Government of India on March 1, 1937, and the formal signing took place later in London between representatives of Japan and Great Britain.

#### Japan and Transvaal

Owing to the fact that the authorities of the Transvaal in South Africa prohibited the residence of colored races in the gold-producing district including Johannesburg, the capital of Transvaal, and refused to permit colored races to engage in wholesale business, which is closely related to the export and import trade, Ohta, Japanese Consul at Cape Town, endeavored to have the

unjustified regulation revised and the Japanese claims were accepted by the authorities in their entirety on June 15, 1936, the Parliament of South Africa passing a bill dividing the said regulations, and settling the question.

#### Japan and Turkey

The Government of Turkey notified the Government of Japan on October 27, 1936, of its intention to abrogate the provisional trade convention between Japan and Turkey which was enforced on January 1, 1935, and the arrangement was made between the two countries concerning the enforcement. At the same time, the Turkish Government expressed its readiness to conclude a new treaty, which was concluded in 1937.

#### Relations with South America

Anti-Japanese movements in Brazil have often been heard but none of the questions has ever been brought up between the diplomatic organs of the two countries. But mention must be made of the fact that the Brazilian economic mission headed by Salgado Filho, former Minister of Labor and member of the Lower House at the time, visited Japan in July 1936, and greatly strengthened the tie of friendship between the nations.

In regard to Paraguay, it may be noted that about 35 families of Japanese emigrants settled in that country during 1936. Later, a French financial syndicate thought the co-operation of Japan in the industrial development of Paraguay would be of great benefit to that country and negotiations were conducted in this connection and on December 5, 1936, the President of Paraguay issued a decree authorizing the exportation of products of the country to Japan to the amount of 250,000 pesos annually through the French financial syndicate and the entry into Paraguay of a total of 1,000 families of Japanese emigrants within 5 years or no more than 200 families annually.

#### Japan and Manchoukuo

**The Manchurian Incident** What is known as the Manchurian Incident, broke out with the blasting of a section of the South Manchurian Railway near Liutiaokou by Chinese regular troops on September 18, 1931. It has

brought about the foundation of a new nation in Manchuria and the withdrawal of Japan from the League of Nations. The incident though called in the singular was not really a single incident, but a series of incidents which followed one after another after the unexpected outbreak, the inevitable sequel to long-continued and growing anti-Japanese activities on the part of the old Mukden militarists.

The hostilities which occurred in Shanghai in January, 1932, as well as the threatening situation in Tientsin some time earlier were only two of the manifold ramifications of the Manchurian Incident. The state of affairs known as the Manchurian Incident continued until the truce concluded on May 31, 1933, at Tangku between the Japanese and Chinese forces, which to all intents and purposes wound up the Jehol expedition carried out by the combined Japanese and Manchoukuo armies to pacify the province and protect the provincial people from local banditry and invading troops from the south across the Great Wall.<sup>1</sup>

**Founding of Manchoukuo** The Manchurian Incident, resulting in the overthrow of the old régime of Chang Hsueh-liang, caused various groups to declare independence in different districts of Manchuria.

The chief principles of the projected new government called for the suppression of the military cliques, co-operation with the rest of the world in line with the principle of the open door and equal opportunity for all, elimination of anti-foreignism, and promotion of the welfare of the people in place of the oppression and grinding taxation from which they had hitherto suffered.

Thus, on March 1, 1932, a manifesto was promulgated announcing that Manchoukuo was founded in response to the unanimous aspirations of the 30,000,000 people of Manchuria and Mongolia. On March 7, Henry Pu-yi, who had once reigned over the entire territory of China as the 12th Emperor of the Ching dynasty, consented to become the Chief Executive of Manchoukuo. This was followed by the installation in office of Henry Pu-yi and the ceremony celebrating the founding of Manchoukuo at Changchun on March 9. (For par-

ticulars see Chapter on Manchoukuo).

**The Japanese Envoy** On August 8, 1932, General Nobuyoshi Muto was appointed commander of the Kwantung army with concurrent offices as Ambassador Extraordinary and Minister Plenipotentiary to Manchoukuo and Governor of the Kwantung Leased Territory.

**Recognition of Manchoukuo** The Japanese Government extended de jure recognition to Manchoukuo on September 15, 1932, when the protocol completing this procedure was signed at the Chief Executive's offices in Hsinking between General Muto representing Japan and Premier Cheng Hsiao-hsu representing Manchoukuo.

The official English translation of this protocol follows:

Whereas Japan has recognized the fact that Manchoukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent State; and

Whereas Manchoukuo has declared its intention of abiding by all international engagements entered into by China in so far as they are applicable to Manchoukuo;

Now the Governments of Japan and Manchoukuo have, for the purpose of establishing a perpetual relationship of good neighborhood between Japan and Manchoukuo, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as follows:

1. Manchoukuo shall confirm and respect, in so far as no agreement to the contrary shall be made between Japan and Manchoukuo in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchoukuo by virtue of Sino-Japanese treaties, agreements or other arrangements or of Sino-Japanese contracts, private as well as public;

2. Japan and Manchoukuo, recognizing that any threat to the territory or to the peace and order of either of the High Contracting Parties constitutes at the same time a threat to the safety and existence of the other, agree to co-operate in the maintenance of their national security; it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchoukuo.

The present Protocol shall come into effect from the date of its signing.

<sup>1</sup> For particulars of the incident see the Japan Year Book, 1933, Chapter VII.

The present Protocol has been drawn up in Japanese and Chinese, two identical copies being made in each language. Should any difference arise in regard to interpretation between the Japanese and the Chinese texts, the Japanese text shall prevail.

**Abolition of Extraterritoriality** The basic treaty between Japan and Manchoukuo concerning the partial abolition of Japanese extraterritorial privileges in Manchoukuo, for which preparations had been underway for sometime, having been ratified by the Privy Councils of the two nations, was signed at Helsinki on June 10, 1936, by representatives of the two Governments concerned. The treaty was announced on June 12 and enforced on July 1.

The second treaty for the same purpose was concluded in November 1937, and the operation of these treaties has proved satisfactory for both countries.

#### Relations with the League of Nations

Japan's connection with the League of Nations began with the inception of the international organization in April, 1919, when the Covenant was officially adopted at Paris, and came to a virtual end on March 7, 1933, when Japan gave notice of her withdrawal from membership on grounds of dissatisfaction with the dealings of the Geneva body with the Sino-Japanese dispute, particularly with the report adopted by the League Assembly on February 24 and the recommendations for the settlement of the problem as contained therein. The withdrawal became completely effective on March 26, 1935, in accordance with the provisions of the League Covenant.

**Contribution to League's Work** During the period of her participation in the activities of the League Japan made a material contribution to its work. In the Secretariat of the League, too, Japanese co-operation was by no means negligible, Dr. Inazo Nitobé and Dr. Yotaro Sugimura having served in the capacity of Assistant Secretary-General in succession until early March, 1933, shortly before Japan's virtual withdrawal. (For detailed accounts, see pp. 188-194, the Japan Year Book, 1939-40.)

#### Relations with China

**The Shanghai Affair** Anti-Japanese feeling in China was increasingly ac-

centuated following the Wanpaoshan affair, the conflict between Koreans and Chinese in Chosen and the Manchurian Incident in particular. Among other places Shanghai was the scene of most various and organized anti-Japanese activities, which culminated in the publication of an article disrespectful to the Imperial family of Japan by the *Minkuo Jipao*, a Chinese newspaper in Shanghai, in January, 1932. Shortly afterwards there occurred several untoward actions of the Chinese against the Japanese in the city.

The Japanese residents in Shanghai immediately held a mass meeting and lodged a strong protest with Wu Tieh-cheng, mayor of Shanghai.

Seeing the general situation, Consul-General Murai sent an ultimatum to the Chinese with a time limit set for 6 p.m. on January 28 and received a reply from Mayor Wu promising to suppress the anti-Japanese agitators and accept all the Japanese demands.

On the evening of January 28, however, Chinese crowds gathered around the municipal offices of Shanghai loudly accusing the mayor of having weakly yielded to the Japanese, and a serious situation threatened to prevail in all parts of the city, with the result that the Municipal Bureau of the International Settlement had to declare a state of siege, the foreign garrison forces taking up their positions in their respective areas of defense.

The situation, however, went from bad to worse, and the Japanese and Chinese troops came to a collision, which lasted from January 29 to March 3, when the former completely drove the latter from the Chapel district.

On the completion of this achievement, General Shirakawa, commander of the Japanese expeditionary forces, and Vice-Admiral Nomura, commander of the Japanese fleet, ordered suspension of all hostilities at 2 p.m. on March 3.

**Jehol Expedition** The expedition carried out by the joint forces of Manchoukuo and Japan to Jehol to pacify this province of the new nation, and the subsequent truce concluded at Tangku between the hostile Chinese troops and the Japanese expedition on May 31, 1933, practically put an end to the long-protracted state of affairs popularly known as the Manchurian Incident. The Jehol expedition was launched

following a declaration to this end made by the Manchoukuo Government on February 20, 1933, announcing that it was dispatching without delay necessary forces "to exterminate completely all bandits within and to dislodge all the invading armies from the province." It was executed with amazing speed and on March 4 a Japanese contingent occupied Chengde, the capital of the province; a few days later the Japanese troops took several important positions along the Great Wall.

After having been driven out of the province, however, the Chinese troops continued hostile operations on the Great Wall positions from the south, and the Japanese forces were obliged to advance south across the Great Wall more than once to destroy the bases of Chinese hostilities.

**The Truce** In fact, on the second occasion the Japanese advanced within a few miles of Peiping and Tientsin, but they refrained from actually entering these cities, and instead succeeded in inducing the representatives of the Chinese forces to sign a truce on March 31 at Tangku, providing for a demilitarized zone between Peiping and Tientsin districts and the Great Wall.

The Manchoukuo authorities, immediately after the pacification of Jehol, started a constructive program in the province, readjusting finances and mapping out plans for future industrial and economic development for the people of the province.

**Exchange of Ambassadors** In July, 1924, Japan and China agreed on the exchange of ambassadors, but, due to the subsequent internal problems of China, the matter had been left unrealized. Sino-Japanese relations assumed a sudden turn for the better early in 1935. Taking advantage of this situation, Foreign Minister Koki Hirota made a proposal to the Nanking Government for the promotion of the Japanese Legation in China to the status of an embassy and the matter was formally announced in Tokyo and Nanking at the same time on May 17. The Japanese Government promoted Akira Ariyoshi, Minister to China, as Ambassador, and the Chinese Government promoted General Tsiang Tso-pin, Chinese Minister to Tokyo, as Ambassador. At the initiative taken by Japan, both Great Britain and the United States at once promoted their Ministers in China as Ambassadors.

**Incidents in 1935** Infringement of the Tangku truce pact on the Chinese side and violation of an official note exchanged between the Japanese and Chinese Governments regarding the retrocession of Tientsin in 1902 were the real causes of the North China incidents in 1935. Sun Yung-chin, bandit chieftain, with his followers, was expelled from Jehol Province by Japan-Manchoukuo combined forces to Shunhua in Hopei Province, where he was given support of a peace preservation corps under General Yu Hsueh-chung, chairman of the Hopei Provincial Government. It was discovered that General Yu supplied him with ammunition and foodstuffs. The Sun banditry, however, was subjugated by the Kwantung Army late in May, 1935. It was also found that General Ho Ying-chin, chairman of the Peiping branch of the National Military Council, had been giving bandits in Manchoukuo certificates of the North-eastern Volunteer Corps. All these were apparent instances of infringement of the Tangku truce pact.

Colonel Takashi Sakai, chief-of-staff of the Japanese Garrison in Tientsin, and Major Tan Takahashi, Japanese resident army officer in Peiping, called on General Ho on May 29 and blamed the dual policy of Generalissimo Chiang Kai-shek towards Japan, pointing out these two anti-Japanese incidents. They handed the following demands of Japan to General Ho:

1. Dismissal of Yu Hsueh-chung who is directly responsible for the incidents and the evacuation of the Central Army of China from Hopei Province.

2. Dismissal of Chang Tingyo, Mayor of Tientsin, and Li Chunyo, Director of the Tientsin Public Peace Bureau, both directly responsible for the assassination.

On June 10 the Nanking Government replied that it accepted all the demands made by Japan.

**Establishment of Two Governments** Towards the close of November, 1935, an independent government, which was named as the East Hopei Anti-Communist Autonomous Committee, was established with the demilitarized zone as the center. Yin Ju-keng, special administrative inspector of the Lwanchow-Shanhai-kwan area of the zone, became its chairman. In December, the Committee was renamed as the East Hopei Anti-Communist Autonomous Government and appointed Yin as its chairman.

The Kuomintang Government dispatched War Minister General Ho Ying-ch'ing to the north. As the result of his conference with General Sung Cheh-yuan and General Han Fu-chu the Hopei-Chahar Political Council was established as an organ to manage the administration of North China. General Sung Cheh-yuan was appointed as its chairman and assumed the office on December 18, 1935. This institution, while being under supervision of the Kuomintang Government, is a new political organ which has in its hand the power to negotiate with Japan and Manchoukuo for the maintenance of amicable relations with them. The domain over which the power of this political organ will be exercised comprises Hopei and Chahar Provinces, and Shantung, Sui-puan and Shansi Provinces are governed by Han Fu-chu and Yen Hsi-shan respectively.

**Sino-Japanese Questions in 1936** With reference to Sino-Japanese relations, mention must be made of the fact that the students' movement launched towards the end of 1935 served greatly to intensify the anti-Japanese sentiment throughout China. As a result, many terroristic actions were successively aimed at the Japanese residents and officers in China during 1936, beginning with January 21, 1936, when a police official named Sumida of the Japanese Consulate in Swatow was shot to death with a revolver while en route to his office.

**Sino-Japanese Negotiations** In view of the frequent anti-Japanese terroristic actions, the authorities of the Japanese Foreign Office and War Department resolved to open important negotiations with the Nanking Government with a view to preventing further aggravation of the situation and adjusting the relations between Japan and China.

The negotiations were commenced between Shigeru Kawagoe, the Japanese Ambassador to China, and General Chang Chun, the then Chinese Foreign Minister. Carrying the negotiations a step further, Ambassador Kawagoe had an interview with General Chiang Kai-shek, president of the Chinese Executive Yuan, on October 8. The negotiations were centered on the North China question, the specific trade in North China, the control of anti-Japanese activities, the employment of

Japanese advisers and the conclusion of a Sino-Japanese anti-Communist agreement.

The Chinese attitude towards the negotiations suddenly changed as a result of the outbreak of the East Suiyuan affair and on December 3 the negotiations in progress for nearly three months had to be discontinued. Two days later, Ambassador Kawagoe withdrew from Nanking to Shanghai.

**East Suiyuan Question** During the early part of November, 1936, skirmishes began to occur between the Chinese troops in Suiyuan Province and the Inner Mongolian forces in the eastern section of Suiyuan. On November 20, the central publicity headquarters of the Kuomintang, the Chinese Nationalist Party, issued a statement calculated to impress foreign countries that Japan was implicated in the Suiyuan affair, thus attempting to influence the negotiations in progress at the time between Shigeru Kawagoe, the Japanese Ambassador to China, and General Chiang Kai-shek, president of the Chinese Executive Yuan.

In order to clarify the situation, the Japanese Foreign Office also issued a statement on November 21, which read in substance as follows:

"Japan is always concerned over the conditions prevailing in the adjoining districts of Manchoukuo territory but she has nothing to do with the clash that took place between the Suiyuan troops and the Inner Mongolian forces. It hardly requires mentioning that the Japanese Army, not to say the Japanese Government, is not assisting the Mongols in any way."

**Developments Following Sian Affair** The Sian affair involving the forcible detention of General Chiang Kai-shek, president of the Chinese Executive Yuan and concurrently chairman of the National Military Council, by a group of troops under the control of Marshal Chang Hsueh-liang, the erstwhile Mukden warlord, suddenly occurred in the provincial capital of Shensi on December 12 but the Generalissimo returned safely to Nanking. Furthermore, neither the Nanking Government nor the Kuomintang showed any agitation over the occurrence. These facts were taken to prove that the national unity of China had been greatly strengthened and accordingly, it came to be urged in various circles that China should be look-

ed again in her new light.

It happened that the political change in Japan during March brought about the formation of the Hayashi Cabinet in succession to the Hirota Ministry. On March 3, Dr. Naotake Sato who had just returned home with the intention of resigning from the post of Ambassador to France and retiring from active diplomatic service was appointed Foreign Minister of the new Cabinet. Speaking before the House of Peers and the House of Representatives, on March 8 and 11 respectively, Minister Sato set forth his foreign policy, which was well received abroad.

The Chinese interpreted Minister Sato's statements as meaning a revision of the three basic principles enunciated by Koki Hirota when he was Foreign Minister of the Okada Cabinet for adjusting Sino-Japanese relations. Furthermore, as a result of the plenary session of the Central Executive and Central Supervisory Committees of the Kuomintang, which was held at Nanking in February, 1937, General Chang Chun was replaced by Dr. Wang Chung-hui, former judge of the Permanent Court of International Justice, as Foreign Minister of the Nanking Government. Following his assumption of the office, the new Chinese Foreign Minister emphasized that an adjustment of the relations between China and Japan should be based on the principles of reciprocity and equality.

In the meantime, there appeared increasing signs of a close cooperation between the Nanking Government and the Chinese Communist Army following the Sian affair. The movement launched by radical Chinese organizations for the establishment of a popular front against Japan was also intensified. All these combined to heighten the anti-Japanese sentiment among the Chinese people until finally they commenced to work desperately for placing North China under the complete control of the Nanking Government besides demanding dissolution of the East Hopei Anti-Communist Autonomous Government.

Under these circumstances, anti-Japanese outrages were repeated by the Chinese. On May 22, a police official of the Japanese Consulate at Swatow was subjected to violence. This caused the authorities of the Japanese Foreign Office to give warning that the sympathetic attitude which the Government

and people of Japan had been manifesting toward China might be lost if the Nanking Government did not deal with the anti-Japanese activities in an appropriate manner.

Immediately following the outbreak of the Swatow affair, the Japanese political situation underwent a change with the Hayashi Cabinet being replaced by a new Ministry formed under the Premiership of Prince Fumimaro Konoé, then president of the House of Peers. Ex-Premier Koki Hirota again assumed the portfolio of Foreign Affairs, which was interpreted by the Chinese to signify the revival of the so-called three Hirota principles. For this reason, they again accelerated their anti-Japanese movement and brought about conditions more unfavorable to an adjustment of Sino-Japanese relations.

**The North China Incident** On Wednesday night, July 7th, a small unit of Japanese troops was engaged in maneuvers on their usual grounds, near Marco Polo Bridge, southwest of Peiping, and in the vicinity of Lukouchiao and Lungwangmiao when suddenly, at 11:40 o'clock the Japanese troops were fired upon by Chinese soldiers from the directions of Lukouchiao and Lungwangmiao. The Japanese were utterly unprepared to return the fire, for they were only 150 strong and had a supply of live ammunition amounting only to one ball-cartridge per person, which was being kept by the commanding officer. All that they could do at this critical moment was to halt their maneuvers, concentrate at a spot some distance from the Chinese, and send for help to their headquarters, situated about two and a half miles away in the former British barracks at Fengtai. Reinforcements came quickly, and with the Japanese replying with real shots to the Chinese fire, the first clash occurred.

Matters went from bad to worse, the fight extending finally in the direction of Shanghai on August 13, 1937, and the event developed to a gigantic conflict between the two countries unprecedented in the history of either of them.

**China Affair in 1937-39** Since the beginning of the Sino-Japanese conflict on July 7, 1937, two years have elapsed during which time the issue has developed into major hostilities, the termination of which still remains remote. Japan's desire to co-operate with China

in order to bring about the mutual welfare and prosperity of the two great neighboring peoples has been frustrated by the Kuomintang Government, and she is now engaged in eliminating the obstructionist forces in China so as to make possible the political and social regeneration of that country by assisting the Chinese people according to the principles of Oriental peoples on the basis of Japan's progressive experience of the past 80 years. Japan is confident that she can elevate thereby the cultural and economic levels of East Asia as a whole. But it is extremely regrettable that, in this case as in all others, destruction has had to precede construction.

The total area under Japanese occupation in China comprises the seven provinces of Chahar, Suiyuan, Hopeh, Shantung, Shanxi, Kiangsu and Anhwei in their entirety, the greater part of Honan Province, wide areas in the four provinces of Chekiang, Kiangsi, Hupeh and Kwangtung and all of Hainan Island.

The Japanese occupied region in China covers an area of 1,562,938 square kilometers, about two-and-half times as large as Japan, the area of which is 675,365 square kilometers.

The proportion of the Japanese occupied area to China Proper, which has an area of 3,157,346 square kilometers, is 50 to 100, while the percentage of the Japanese occupied area to continental China (including the outlying

provinces), which has an area of 10,059,877 square kilometers, is 16 to 100.

For the first 16 months of the conflict, hostilities were featured by mass troop movements and major engagements. The Chinese successively lost Shanghai, Nanking, Hsuechow, Canton and Hankow—crushing defeats all—before they were convinced that they could not stand before the superior arms of the Japanese. The fall of Hankow, on October 27, 1938, marked a turning point in Chinese military strategy. From that date, scarcely a week after the loss of Canton, the Chinese abandoned large-scale military operations and resorted to guerrilla warfare and behind-the-lines "hit-and-run" tactics.

These new tactics favored the Japanese. Already in control of the most important areas of the country, they were able to concentrate on the consolidation of these areas and the establishment of peace and order therein, which was effected by the strengthening of garrison force in the rear, and the organization of peace preservation committees and other measures of an effective nature.

Peace and order have been restored to a large extent in North and South China. In Central China, resistance to pacification has been stronger than in the other regions, owing to the proximity of the Japanese occupied area to the Nationalist Government's shrinking domain. (See Chapter on China.)

## FOREIGN RELATIONS DURING AUGUST 1938—MAY 1940

With the formation of the Hiranuma Cabinet (Jan. 5) Japan's foreign policy for 1939, the third year of the China Affair, entered into the constructive stage of the New Order in East Asia. Hachiro Arita, Foreign Minister, in his speech at the 74th session of the Imperial Diet (Jan. 21) declared:

"As regards the present China Affair, the basic policy and the resolute aim of the Japanese Government have been set forth in its statement of Nov. 3, 1938 (the so-called Konoe statement). What Japan desires is the creation of a new order which is to secure the permanent peace of East Asia."

Along with the development of this New Order, relations with third Powers became more complicated. Especially

the issues between Japan and Britain, France, and United States relative to their rights and interests in China assumed a deeper, and more serious aspect. Meantime, the anti-Japanese terrorist demonstrations in Shanghai, Tientsin and Amoy became alarmingly more frequent; so much so, that Japan was compelled to land a landing party at Amoy (May 12) to protect its nationals and rights. Britain, France, and U.S. followed suit, and the situation proved highly delicate.

In Tientsin, the anti-Japanese agitation presented a serious situation so that the Japanese authorities were compelled to adopt drastic measures to combat the workings of anti-Japanism. They instituted a rigid system of inspec-

tion of all those going in and coming out of the British and French concessions there (June 14, 1939—June 20, 1940). The "blockade" of these concessions created between Japan and Britain a situation of high tension in which the building of the New Order and the hostile character of these concessions conflicted with each other; world attention came to be centered on Tientsin.

In order to relieve the high strung situation, the Anglo-Japanese parley was started (July 15) in Tokyo between Hachiro Arita, Foreign Minister, and Sir Robert Craigie, British Ambassador to Japan, mainly to solve problems of general character which form the background of the Tientsin blockade. As a result of this parley, the British Government published the following statement simultaneously in London and Tokyo on July 24, expressing its agreement on the fundamental issue:

"His Majesty's Government in the United Kingdom fully recognize the actual situation in China where hostilities on a large scale are in progress and note that, so long as that state of affairs continues to exist, the Japanese forces in China have special requirements for the purpose of safeguarding their own security and maintaining public order in the regions under their control and that they have to suppress or remove any such acts or causes as will obstruct them or benefit their enemy. His Majesty's Government have no intention of counteracting any acts or measures prejudicial to the attainment of the above-mentioned objects by the Japanese forces and they will take this opportunity to confirm their policy in this respect by making it plain to the British authorities and British nationals in China that they should refrain from such acts and measures."

In the wake of this agreement, representatives from both sides, (some of them from Tientsin) discussed in detail the actual measures for the settlement of the Tientsin problems, including those of public security, economics, transfer of the Chinese silver, etc. Both sides concurred on the public security issue, but the British side showed an abrupt change of attitude when taking up the economic and silver issues. Their attitude remained uncompromising so that the Japanese delegation found it useless to stay in Tokyo and the parley ended in failure (Aug. 1).

Just prior to the break-down of the Anglo-Japanese parley (July 27), the American Government suddenly announced the abrogation of the U.S.-Japan Treaty of Commerce and Navigation of 1911. This action on the part of the American Government was considered of great significance in relation to the parley.

When Japan's military operations in South China necessitated the occupation of Hainan Island by Japanese forces on February 10, 1939 the French Government, through its envoy in Tokyo, asked the Foreign Office (Feb. 13) the reason for the occupation of the island. In reply Foreign Minister Arita explained to Charles Arsène-Henry, the French Ambassador, that the occupation was one dictated by military necessity both in its nature and duration, and that Japan had no territorial designs in the island.

With the Berlin-Moscow rapprochement in August, the Hiranuma Cabinet resigned (Aug. 28) and the Abe Cabinet was formed (Aug. 30) with Admiral Kichisaburo Nomura as Foreign Minister. In accordance with the request of the American Government to settle problems arising out of the China Affair, the Foreign Minister opened conversations with Joseph C. Grew, American Ambassador, early in December. During these parleys, the Foreign Minister notified (Dec. 18) the American envoy of Japan's intention regarding the customs offices on the Yangtze River below Nanking.

The Abe Cabinet resigned (Jan. 14, 1940) and the Yonal Cabinet was formed (Jan. 16) with Hachiro Arita as Foreign Minister. The change of the Cabinet meant no change in Japan's policy in regard to the China Affair as well as Japan's foreign relations. Speaking before the 75th session of the Imperial Diet (Feb. 1), Foreign Minister Arita said:

"In pursuance of this fundamental policy, the Japanese Government is doing everything in its power to settle the China Affair, and to adjust international relations from an independent standpoint of its own."

In the meantime the new central government of China was organized in Nanking (Mar. 30) under the leadership of Wang Chingwei. The Japanese Government, on the same day, declared before the world its attitude toward the new Chinese Government, making it plain

that Japan will support it, further clarifying Japan's resolution in building the New Order in East Asia. When the new Chinese Government was formally inaugurated in Nanking in April, the Japanese Government appointed the former Premier Nobuyuki Abe as bearer of congratulations from Japan as Ambassador Extraordinary and Plenipotentiary to Nanking.

#### Second World War and Japan

When Germany and Italy concluded a treaty of amity (May 22, 1939) the event was welcomed in this country. Referring to it, the Director of the Information Bureau of the Foreign Office, said that Japan was pleased to see the member-states of the anti-Comintern axis further confirming their friendship. The Japanese Government, at the time, was considering various means to cope with the fast changing situation in Europe, taking up the vital issue of reinforcing the Axis agreement. Upon hearing of the Berlin-Moscow non-aggression pact (Aug. 23) the Hiranuma Cabinet resigned, declaring that the pact had created an unexpected and complex situation in Europe, necessitating a change in Japan's foreign policy. The Abe Cabinet succeeded it (Aug. 30).

German troops advanced into Poland (Sept. 1) and London and Paris declared war on Germany (Sept. 3); the Japanese Government defined its attitude by declaring (Sept. 4) that "in face of the European war that has just broken out, Japan intends not to be involved therein; she will concentrate her efforts on the settlement of the China Affair." The so-called non-involvement policy was thus announced, telling the world that Japan was prepared to go ahead in pursuance of its own foreign policy with particular reference to the second World War.

The Foreign Minister informed (Sept. 5) the Ambassadors from Britain, France, the United States, Germany, Italy and Poland, individually, of this non-involvement policy, telling them Japan's serious concern over their attitude or action toward the China Affair and requesting their consideration in eliminating, on their part, possible causes that might result in untoward incidents among them in China.

The Abe Cabinet further reaffirmed (Sept. 13) its national policy, by declaring:

"With the settlement of the China Affair as its pivotal policy, the Government intends to deal with the complex and delicate international developments by firmly maintaining the independent position of the Empire and striving steadfastly for the replenishment of armaments and the development of the fundamental strength of the nation. By concentrating various domestic and external measures toward this end, the Government expects to establish the solidarity between Japan and Manchoukuo and bring about new relations between Japan and China."

Many a diplomatic problem popped up, along with the progress of war in Europe, between Japan and the belligerents. Following the Anglo-French announcement of their intention to seize German cargoes on high seas and the economic blockade of Germany (Dec. 28), the boarding of the N.Y.K. liner Asama Maru by officials from a British cruiser arresting 21 German non-combatant passengers therefrom, within the sight of Japan's coastline (Jan. 21, 1940), provoked strong protests among the Japanese. The Japanese Government at once instituted a vigorous protest with the British Government, and after repeated parleys between Tokyo and London, Britain finally agreed (Feb. 5) to give up some of the German passengers. The question was temporarily settled, although Tokyo had recorded its protests for the return of the rest of the German passengers. Britain returned nine out of 21 Germans to Japan (Feb. 29).

When the German army further penetrated, in April, into Denmark and Norway, and the conflagration threatened to extend to the Netherlands and Belgium, Foreign Minister Arita, in a statement to the press declared (Apr. 15) that "the Japanese Government cannot but be deeply concerned over any development, accompanying the aggravation of the war in Europe, that may affect the status quo of the Netherlands East Indies."

When the German troops marched into the Netherlands (May 10), the Japanese Government sought (May 11) the intention of Amsterdam and reiterated Japan's concern over the Netherlands East Indies, as stated on April 15. Tokyo also called the attention of the belligerent governments to Japan's vital concern over the N.E.I. and informed Washington and Rome regarding its

attitude.

With the Italian participation in the war (June 10), the Japanese Government, cognizant of the further aggravation of the war situation in Europe with possible extension of the war to the Far East, notified the Italian Government (June 11) to pay particular attention to avoid any untoward incident among the belligerents in China or between the belligerents and Japan. The notification was based on the formal notice the Japanese Government served to all belligerents, soon after the outbreak of the European War in September 1939, demanding of the warring nations to check possible outbreaks of friction among them in the Far East and thus prevent the extension of the war to this part of the world. A similar notice was given to Anglo-French Governments, and copies of it were sent to the United States and Germany for reference.

#### Japan-Soviet Relations

**Fishery Pact Issue** The Japan-Soviet fishery pact issue (generally considered as a barometer of their relations) failed to be concluded during the preceding year (1938). The provisional fishery treaty with the time limit set for Dec. 31, 1938, expired automatically and the two countries entered the new year without a treaty.

Early in 1939, therefore, the Japanese Government resumed negotiations with Soviet Russia for the conclusion of a new treaty. Moscow, however, dodged the main issue by introducing the side questions concerning Soviet-Manchoukuo relations, payment of balance of the price for the North Manchuria Railway (former Chinese Eastern), abolition of stabilized fishery lots, and exemption of 40 lots. Negotiations made slow progress. Meantime, the Moscow Government announced the public auction sale of fishery lots in February, including the stabilized lots to which Japan attaches great importance.

Japan thereupon lodged a vigorous protest with the Soviet Union to call off the February auction, while continuing negotiations. No less than 16 meetings were held between Shigenori Togo, Japanese Ambassador to Moscow and M. Litvinov, Russian Foreign Commissar, but no compromise was reached. Moscow then announced its definite intention of carrying out the

auction on March 15. Japan demanded Russia to postpone the auction. The Foreign Office spokesman clarified Japan's attitude in a public statement on the day the auction was to be held (Mar. 15), declaring that "The Japanese Government may find itself compelled to make a firm decision by the future attitude of the Soviet Union. In such an eventuality it must be remembered that all responsibilities should be borne by the Soviet Union."

Soviet Russia carried out the auction as announced (Mar. 15), and Japan formally refused (Mar. 19) to recognize the validity of the auction.

The Togo-Litvinov parley continued; toward the end of March both sides agreed on a general outline; a provisional agreement was signed (Apr. 2). The auction was held (Apr. 4) with Japan participating; the fishery question, carried over from the preceding year, was settled for the time being. The agreement, however, was provisional, simply extending the treaty of 1928 up to the end of 1939. The fishery issue was thus still fully unsettled.

With the settlement of the Nomonhan incident, a tendency developed between Tokyo and Moscow to iron out all pending issues for adjustment of their relations. When the newly appointed Russian Ambassador Constantin Smetanin arrived at Tokyo in October, Foreign Minister Nomura proposed (Oct. 15) to Russia the conclusion of a long-term basic fishery treaty. The Nomura-Smetanin conversations were carried on (Nov. 4-Dec. 4) in parallel with the Togo-Litvinov parley (Dec. 15) in Moscow on the same question.

The Soviet side agreed to conclude a long-term fishery pact, but made the solution of the North Manchuria Railway transfer payment as a preliminary condition. Since the stipulated date of expiration (Dec. 31) of the provisional fishery agreement was near, both sides concurred at their meeting (Dec. 23) to conclude another provisional agreement.

It was mutually decided that the treaty of 1928 be extended until the end of 1940 and that during 1940 a long term basic fishery treaty be concluded. Japan agreed to use its good offices regarding the payment of ¥6,000,000, the last payment from Hsinking to Moscow for the transfer of the

North Manchuria Railway.

**North Karafuto (Saghalien) Question** Together with the fishery issue, the Russian attitude toward the Japanese coal and petroleum rights in Kita Karafuto (North Saghalien) had been a knotty problem for years. Since 1938 the Russian authorities had been interfering with the hiring of Russian workers, preventing the imports of staple goods, and causing illegal annoyance to Japanese operatives, so much that two Japanese firms, in coal mining and petroleum business, were compelled to close.

The Japanese Government, since November 1938, kept protesting against these unlawful and oppressive measures by the Soviets with no satisfactory results. On Aug. 5 an agreement was reached at Moscow between the representatives of the Japanese petroleum firm in Kita Karafuto and those of the workers' union of Soviet Union, in regard to a party contract for employing Russians which is regarded as an important condition to the Japanese oil rights. Negotiations were continued to settle all other pending issues regarding the Russian pressure brought on Japanese enterprises. The oppressive measures by Soviet Union, however, did not lessen, creating many a new knotty problem to be solved, one after another.

**Nomonhan Incident** The alarming frequency of Soviet soldiers trespassing across the boundary from the Russian to the Manchou-Mongolian side, in the neighborhood of Nomonhan, since 1935, culminated in a mass challenge by Russian soldiers across the border on May 11, 1939, and thereafter. The affair was a case of plain aggression over the Mongolian territory. It eventually developed into a regular border warfare between the Japan-Manchou and Russian armies at Nomonhan. Both sides steadily reinforced their forces; the scale of military operations became extensive, threatening to lead into an open, frontal clash between Japan and Soviet Russia.

Seeking to check the conflict as far as possible, the Japanese Government repeatedly demanded of the Soviet Government for the withdrawal of its troops and cessation of hostile operations. The Soviets showed their readi-

ness to minimize the extent of conflict but the negotiations showed no tangible progress. Thus the semi-war situation at Nomonhan continued for 5 months.

In September, when Germany marched into Poland, with the subsequent outbreak of the European war, the Red armies were also held in readiness to march into Poland (Sept. 17), and Moscow showed a sudden change of front, and agreed to settle the Nomonhan question which resulted in an agreement for the cessation of hostilities, between Ambassador Yoshinori Togo and Foreign Commissar Molotov (Sept. 15).

The agreement declared that both sides will cease all acts of hostilities on and after 2 p.m., Sept. 16, each side remaining on the ground it had occupied on Sept. 15. With the signing of the agreement, an understanding was also reached between the two to organize a commission to define the boundary lines composed of two members each named by the Japan-Manchou and the Soviet authorities.

**Border Commission** Regarding the establishment of a mixed commission composed of Japanese, Manchou, Soviet and Mongolian delegates for the demarcation of the Manchou-Outer Mongolia border, basic negotiations as to the constitution, duties, etc., of the commission were agreed upon (Nov. 13, 1939) between Ambassador Togo and Foreign Commissar Molotov. The creation of this mixed commission had been agreed upon between the Japanese and Soviet authorities with the conclusion of the Nomonhan truce (Sept. 1939).

The commission, officially named as the Extraordinary Commission for the Establishment of the Manchou-Mongolia Border, decided to hold the first half of the session at Chita, U.S.S.R., and the second half at Harbin, Manchoukuo. The Chita session (Dec. 7-25, 1939) consisted of 8 meetings. The Harbin session began on Jan. 7, 1940.

Throughout the conference, however, the Japanese delegates found the Soviet attitude non-cooperative and unconciliatory. After 16 meetings in all, the commission was obliged to disband. The Foreign Office, Tokyo, announced (Feb. 1) that "the Foreign Office of Japan has resolved to terminate its obligation with the close of the final

sitting on January 30, 1940."

Negotiations regarding the question of determining the border, however, were later resumed in Moscow between the Japanese Ambassador at Moscow and the Soviet Foreign Commissar. A joint communique issued on January 9, 1940, announced that "an agreement was reached on the precise demarcation of the Manchou-Outer Mongolia border." This ended the bitter Nomonhan incident which lasted over a year, leaving only technical details to be settled at the spot.

**Trade Pact Negotiations** Following the Nomonhan truce, Ambassador Togo and Foreign Commissar Molotov agreed to open negotiations for concluding a Japan-Soviet trade agreement.

The Soviet Government appointed Foreign Trade Commissar A. I. Mikoyan, as its delegate for the trade talk. He discussed trade problems with Ambassador Togo twice (Dec. 22 and 29, 1939).

The Japanese Government, thereupon, named Shikao Matsushima, the newly appointed Minister to Sweden, as its delegate and ordered him to stop at Moscow on his way to his post to undertake the negotiations. Matsushima arrived at Moscow (Jan. 4, 1940), and opened parley with Foreign Trade Commissar Mikoyan (Jan. 10).

The parley continued until the end of March 1940. A draft agreement was almost completed, but the Japanese delegate found the Soviet attitude extremely insincere, as was the case with the border question, rendering it impossible to continue the negotiations. Consequently, early in April 1940, the Japanese Government decided to suspend negotiations for the time being and ordered Matsushima to proceed to his post in Sweden.

The question of the trade agreement, however, has not been entirely dropped. The Japanese Government, through Ambassador Togo, has been making every effort to bring about its conclusion, but the prospects of signing the trade agreement are still remote.

#### Cultural Agreement with Germany and Italy

A cultural pact was concluded between Japan and Germany in November 1938. This was the first of its kind ever concluded by Japan.

In the wake of the conclusion of the Japanese-German cultural agreement, negotiations were commenced in December of the same year by the Japanese Government for the purpose of concluding a similar cultural pact with Italy, another country bound with Japan by the anti-Comintern pact. The agreement was signed by Foreign Minister Hachiro Arita and Italian Ambassador Giacinto Auriti, in Tokyo on March 23, 1939.

The nature of the agreement is similar to that of the Japanese-German cultural agreement. It provides for (1) the setting up of a committee to promote and study measures regarding the cultural collaboration between Japan and Italy, (2) the establishment of facilities for the cultural rapprochement of the two countries, and the maintenance and expansion of facilities already existing in the two countries for the purpose, (3) the supplementation and revision of school text-books used in both countries so as to make them suit the spirit of the agreement, (4) the according of facilities to students dispatched by each of the Governments, (5) the promotion of the exchange of professors and students between the two countries, (6) mutual recommendation of those who are engaged in cultural activities, (7) the promotion of friendly ties between the two countries through the exchange of young men's corps, (8) the exchange of books and magazines, (9) the encouragement of the translation of the literature of each other's country, (10) the exchange of objects of fine arts between the two countries, (11) the exchange of moving pictures, (12) the exchange of radio broadcast, (13) the fraternizing of the two countries through sports and recreation movements and (14) the fostering of mutual understanding through sight-seeing trips between the two countries.

The conclusion of a cultural pact between Japan and Germany and, Japan and Italy attracted considerable attention as it opened up a new field in Japan's foreign relations.

On March 30 the Japanese Government announced its intention to participate in the World Fair to be held at Rome in commemoration of the 20th anniversary of the founding of the Fascist regime in Italy. It was also an expression of Japan's goodwill toward Italy.

### Japanese-Hungarian Cultural Agreement

Following the conclusion of the Italo-Japanese cultural pact, negotiations were made between Japan and Hungary for the conclusion of a similar cultural pact between the two countries. The agreement was signed at Budapest in June this year.

### Army and Navy Representatives to Nazi Convention

General Hisalchi Terauchi, member of the Supreme War Council, and Admiral Mineo Osuni, representing the Japanese Army and Navy respectively, were delegated to attend the 11th convention of the Nazi party held in Germany from September 9-11, 1939.

The General and the Admiral left Tokyo for Berlin on July 18.

As the war broke out in Europe while they were en route to Germany and the convention of the Nazi party was postponed indefinitely as a result of the outbreak of the European war, General Terauchi alone went to Germany by way of Italy and met Chancellor Adolf Hitler on September 21.

After inspecting the front at various places in Germany, he returned to Japan via America.

Admiral Osuni, who had cancelled his plan of visiting Germany, returned home after a short stay in London.

### Economic Mission to Italy

In view of the consolidated friendly relations between Japan and Italy, an economic mission was dispatched to Italy in April 1940.

The mission was headed by Naotake Sato, former Foreign Minister in the Hayashi Cabinet, in the capacity of Japan's Ambassador Extraordinary and Plenipotentiary to Italy.

The party arrived in Rome on May 21st. It exchanged courtesies with the representatives of the government and the public.

As the arrival of the Japanese Economic Mission coincided with Italy's entry into war and the conclusion of a truce between France, and Germany and Italy, following the surrender of France to the German forces causing radical changes in the political situation of Europe, Sato, the leader of the mission went to Germany from Italy to see Chancellor Adolf Hitler.

He had talks with the Chancellor and other leaders of the German Government. As Germany had embarked upon the task of constructing a new order in Europe in keeping pace with Japan's efforts in setting up a new order in East Asia, Sato's visit to Germany drew considerable attention from the political and diplomatic quarters all over the world.

### Mission to Iran

The Japanese Government deputed Shoichi Nakayama, Japanese Minister to Iran, to attend the wedding ceremony between the Crown Prince of Iran and the Princess of Egypt and to felicitate the Sovereign of Iran on behalf of the Imperial family of Japan on the occasion of the wedding which was solemnized at Teheran, the capital of Iran, from April 22-25, 1939.

In addition, the Japanese Government sent the "Soyokaze," one of the best airplanes made in Japan to that country to express felicitations upon the auspicious occasion. The flying of the "Soyokaze" from Japan to Iran served in no small measure to consolidate the bond of friendship between the two countries.

### Agreement Issue Between Japan and France

In January 1939, the Japanese Foreign Office sought the agreement of the French Government in the appointment of Masayuki Tani, the then Japanese Minister to Austria, as Japanese Ambassador to France, the post having become vacant since the former Japanese Ambassador to France, the late Yotaro Sugimura, had left Paris for Japan on account of poor health.

The French Government, however, declined to accord agreement to the appointment of Tani as the Japanese Ambassador to France on the ground that the remarks which he had made in a Press interview in the summer of 1938 on the French aid to the Chiang Kai-shek régime were unjust and wrong.

Thereupon the Japanese Foreign Ministry issued a statement through its spokesman, revealing the truth of the matter, pointing out that the attitude taken by the French Government in connection with the appointment of Tani as the Japanese Ambassador to France was inexplicable.

At the same time, the Foreign Min-

istry took a stern attitude toward the French Government by withdrawing the appointment of a successor to Sugimura, the then Japanese Ambassador at Paris.

In view of the fact, however, that the transportation of war materials to the Chungking régime via French Indo-China by France continued despite the frequent lodging of vigorous protests with the French Government by the Japanese Government, and that the volume of diplomatic business between the two countries increased due to the unabated extension of assistance rendered openly by the French Government to the Chungking régime, the Japanese Government feeling keenly the necessity of having a diplomatic representative at Paris, appointed in September 1939, Renzo Sawada, former Foreign Vice-Minister, as Ambassador to France.

In regard to the question of closing the supply routes to Chungking by way of French Indo-China, and the stoppage of other measures of assistance to Chiang Kai-shek by the French Government, the Japanese Government demanded the French Government to refrain from such assistance on June 16, 1940, the day following the commencement of the truce negotiations between France and Germany.

As France agreed to accept Japan's demands, the Japanese Government decided to dispatch a committee of Japanese military officers and Government officials to see that no arms are sent to the Chungking régime via the supply routes in French Indo-China.

### Air Service Agreement and Peace Treaty Between Japan and Thailand

The negotiations for the inauguration of a regular air service between Japan and Thailand were started by both governments in April 1936.

The plan was conceived by Japan in 1935, but it took four years before it materialized on January 27, 1939, when the agreement regarding the execution of regular air service between Japan and Thailand was signed by the Japanese Minister to Thailand, Kuramatsu Mural and the Foreign Minister of Thailand at Bangkok.

The French authorities have been declining stubbornly the request by the

Japan Airways Company to use Hanoi as an intermediate stop in the Japan-Thailand air line, although the Japanese Government on behalf of the company often negotiated with the French authorities over this question.

Following the collapse of the French Government under the military forces of Germany, however, the French authorities changed their attitude toward Japan abruptly and acceded to the wishes of the Japan Airways Company to use Hanoi as an intermediate stop in the air line between Japan and Thailand.

In addition to the conclusion of the regular air service agreement, a Peace Treaty between Japan and Thailand was signed in Tokyo on June 12, 1940, by Foreign Vice-Minister Masayuki Tani and the Thailand Minister to Japan.

The object of the treaty was to consolidate further the friendly relations between the two countries. The negotiations for concluding this treaty got well under way shortly after the regular air service agreement had come into existence.

The Peace Treaty guarantees the mutual respect of territorial integrity and the existence of peaceful and friendly relations between Japan and Thailand, and provides for an exchange of information concerning matters of common interest to both countries. Under the terms of the treaty each signatory pledges not to render assistance to third Powers in case either of the signatories is attacked by third Powers.

### Abrogation of the Japanese-Netherlands Arbitration Treaty

The treaty between Japan and the Netherlands concerning judicial settlement, arbitration and conciliation signed at The Hague in April 1923 attracted the attention of the world at the time as being an epoch-making event in international arbitration.

But as Japan's withdrawal from the League of Nations later brought about a change in the legal position of Japan to the International Court of Arbitration at The Hague, Japan started negotiations with the Netherlands in order to examine to revise, if it is necessary, part of the regulations relative to the Court in the treaty according to the provisions of the protocol attached to the treaty.

The negotiations between Japan and the Netherlands over this question were deadlocked for a long while and the Japanese Government informed the Netherlands Government of the abrogation of the treaty on January 12, 1940. The treaty expired on August 11, 1940.

The reason why the Japanese Government announced its intention to denounce the treaty prior to the designated date for the expiration of the term is that according to the provisions of the treaty the treaty becomes automatically valid for another term of five years in case an accord is not reached between the signatories for the revision of the treaty during the term of its validity.

Accordingly it was made clear in an announcement by the spokesman of the Foreign Office in regard to the abrogation of the treaty on January 12 that Japan abrogated the treaty because of the necessity of closing the negotiations between Japan and the Netherlands over the revision of the treaty as soon as possible and in the hope of concluding a new treaty before the old one becomes invalid.

To the abrogation of the Japanese-Netherlands Arbitration Treaty by Japan, America and other Powers in the world attached much importance. Some of them suspected that Japan was intending to change her foreign policy in the near future and to free herself from her dependency upon America in commercial relations and was trying to seize a chance for starting the negotiations with the Netherlands with the intention of taking a hand in the development of the natural resources in the Netherlands Indies.

The Netherlands Government, however, issued a communique in response to the statement issued by the Japanese Foreign Office on January 12 and expressed the hope that a new treaty be concluded with Japan at the earliest possible opportunity.

#### Trade Questions

Japan has been making special efforts for the promotion of trade in order to strengthen her economic power under the emergency period. However, due to anti-Japanese attitude prevailing among certain nations as a result of the outbreak of hostilities between Japan and China and under the influ-

ence of the European war, Japan's commercial relations with other countries became aggravated and various obstacles stood in the way of Japan's foreign trade.

Thus, this country is now facing a great crisis in its trade questions. But as the troubles in Japan's trade with other countries are being solved one by one through diplomatic negotiations, Japan's foreign trade will continue to maintain a high position in the world.

A critical situation in trade was brought about as a result of the abrogation of the Commercial and Navigation Treaty concluded between Japan and the United States in 1911 by the United States Government. America's stern attitude toward Japan in regard to questions pertaining to American rights and interests in China led to the existence of the treatyless situation as far as commercial relations are concerned between Japan and America after January 26, 1940.

Questions which came next in importance were those relating to the execution of the so-called two-way blockade against German cargo by the British Government.

The commencement of the negotiations between Japan and the Soviet Union in connection with the conclusion of a trade treaty accompanying the efforts to adjust the diplomatic relations between the two countries was of great political significance. The outcome of the negotiations between Japan and the Soviet Union for the conclusion of a trade treaty remains to be seen.

**Commercial Relations Between Japan and Turkey** Hitherto, Japan has been allowed to export cotton cloth made of fine thread on quota basis to Turkey, but not cotton cloth made of coarse thread as a general rule so as not to disturb the development of the cotton cloth manufacturing industry in Turkey.

In April 1939, the Turkish Government decided to modify the restrictions imposed on the import of Japanese cotton cloth with a view to improve commercial relations between the two nations. That is, under the modified regulations, it was made possible for Japan to export freely certain varieties of cotton cloth made of fine thread beyond the allocated quantity through the permission of the Economic Min-

istry of the Turkish Government and also to export cloth made of coarse thread through the permission of the same Ministry. At the same time the restrictions regarding the import of Japanese tea were removed completely making it possible for the import of this commodity.

The Turkish Foreign Office informed the Japanese Government in April 1939 of the modification of restrictions imposed on cotton cloth and tea to be imported into Turkey. A marked improvement in the trade relations between the two countries was naturally expected of this friendly gesture on the part of the Turkish Government.

**Trade Relations Between Japan and France** Under the influence of the Sino-Japanese hostilities, it became necessary for Japan to place its foreign trade under strict control. As a result, the imports to Japan from France were limited considerably.

Since 1938 the French Government has been repeatedly asking the Japanese Government for the mitigation of the restrictions imposed on French imports by the Japanese Government.

In 1939, the French Government, in retaliation against the restrictive measures taken by the Japanese Government in connection with the imports from France, began to restrict the import into France of Japanese canned salmon and salmon-trout and porcelain ware.

As a result of the negotiations between Japan and France, however, it was decided that France allot the same quota to the Japanese goods as before and make efforts to increase the import of Japanese goods into France to equal the average import level of the past years.

The French Government formally informed the Japanese Foreign Office of this decision on June 15, 1939.

Thereupon the Japanese Government notified the French Government on the same day that it will endeavor to increase its purchases from France and its territories and colonies as much as possible in accordance with the wishes expressed by the French Government.

Thus, the obstacle which had been standing in the way of commercial relations between the two countries since the outbreak of the current China Affair was removed completely and the way

was paved for better trade relations between Japan and France.

**Commercial Relations Between Japan and Australia** Japan had been anxious about improving the commercial relations with Australia. On June 6, 1939, the Government of Japan notified the Australian Government that Japan had decided on the measures regulating the trade relations between the two countries which were to come into effect from July 1 of the same year.

The measures proposed by the Japanese Government were: (1) At least two-thirds of the quantity of wool bought by Japan from foreign countries be purchased from Australia (2) The Japanese Government will voluntarily limit as before the amount of Japanese cotton cloth and rayon cloth, including textiles made of staple fiber to be exported to Australia from Japan to 51,250,000 square yards each.

In response to this notification, the Australian Government expressed deep satisfaction with the measures decided upon by the Japanese Government for the purpose of adjusting the trade relations between the two countries and declared that it, too, would do its best for the maintenance of favorable commercial relations with Japan.

The reply sent by the Australian Government to the Japanese Government on June 26, 1939, stated that for the time being it would watch the Australian exports to Japan, especially the influence of the Japanese measures in connection with the Japanese purchase of Australian wool and its import to Japan.

Through these measures, it became possible for both countries to continue to maintain favorable trade relations even after July, 1939.

**Commercial Relations Between Japan and Venezuela** In recent years, Japan's exports to Venezuela have been increasing steadily and accordingly Japan was expecting that country to become one of the best markets for Japanese goods in South America. Since the trade balance was in favor of Japan, Venezuela which could not sell to Japan as much as it bought from Japan tried to restrict Japanese imports without consulting Japan. This necessitated the institution of negotiations for the adjustment of trade relations between the two countries. On April 2, 1939, the authorities of the Foreign Offices of both countries reached an understanding whereby it



was agreed that Japan should buy Venezuelan products as much as possible, while Venezuela will not impose unreasonable restrictions upon the imports from Japan on the ground of unfavorable trade balance.

**Cotton Cloth to the Philippines** According to an agreement reached between the cotton textile manufacturers in Japan and America the manufacturers in Japan agreed to voluntarily limit the quantity of cotton cloth exported to Philippines to 45,000,000 square meters between August 1, 1938 to July 31, 1939. This agreement was adhered to by the Japanese manufacturers.

Through the mediation of the Japanese Ambassador to the United States, Mr. Kensuke Horinouchi, negotiations were started in connection with the measures to be taken by the manufacturers in Japan after the said agreement expires on July 31, 1939.

As a result of the negotiations it was decided on July 20, 1939 that for one year between August 1, 1939 and July 31, 1940, Japanese exports of cotton cloth to the Philippines be limited to the same amount of 45,000,000 square meters as in the preceding year.

**Japanese-German Trade Agreement** Since the fall of 1937, negotiations have been going on between the Japanese and German Governments for the conclusion of a trade agreement which will be made the basis of commerce between the two nations in the future.

On July 29, 1939, a provisional trade agreement was signed by the Japanese Ambassador to Germany Hiroshi Oshima and the German Government.

The purpose of the trade agreement was to consolidate further the commercial relations between Japan and Germany. It also had much to do with the strengthening of the anti-Comintern pact between them.

It took a considerably long time before the trade agreement was concluded as various unexpected technical difficulties arose during the negotiations before the negotiators could decide upon concrete measures.

This trade agreement, correlated with the Japan-Manchoukuo-Italy Trade Agreement concluded one year before, clarified the economic dependency of each other tied firmly by the anti-Comintern pact.

The conclusion of this trade agreement between Japan and Germany in 1939

was of considerable significance in the light of the reinforcement of the anti-Comintern axis in the economic phase.

**Japanese-Indian Trade Conference** As the agreement regarding the import of raw cotton from India to Japan and the export of cotton cloth from Japan to India regulated by the protocol attached to the Indo-Japanese Trade Treaty concluded on July 12, 1937, was to expire at the end of March 1940, negotiations were started in October 26, 1939, between Wakamatsu, the Japanese Consul-General at Calcutta, and Lloyd, the representative of Indian Government at New Delhi. This was the third trade conference between Japan and India to conclude a new trade treaty.

The conference made smooth progress and by the end of 1939, the conferees finished the examination of each other's views, and it was agreed between them that the conference be resumed in January, 1940.

The Indian representative announced that there was no intention on the part of the Indian Government to abrogate the basic agreement which can not be separated from the protocol for the time being.

**Japanese-Rumanian Trade Agreement** The Japan-Rumanian Trade Agreement was signed by Miyazaki, the Japanese Minister to Rumania and the Foreign Minister of that country on March 5, 1940.

The new trade agreement provides for the import of cotton textile and other manufactures from Japan to Rumania and the purchase of special products of Rumania by Japan.

**Japanese-Uruguayan Trade Treaty** The Japanese-Uruguayan Commercial and Navigation Treaty was signed between Yamazaki, the Japanese Minister to Uruguay and the Foreign Minister of that country on May 10, 1940. But due to the changed domestic situation in Uruguay, the ratification of that treaty was delayed and accordingly it did not become effective for some time.

However, in view of the tightened bond of friendship between the two nations in recent years, it was felt necessary by the Governments of both countries that necessary steps should be taken immediately to render the treaty effective.

The Foreign Office authorities of the two countries began to negotiate over the

necessary procedure regarding the exchange of ratifications. Accordingly the exchange of ratifications was made between Uchiyama, the Japanese Minister to Uruguay and the Uruguayan Foreign Minister at Montevideo on May 6, 1940.

The treaty came into force fifteen days after the exchange of ratifications. It provides for (1) the unconditional application of the most favored nation clause to commerce, navigation, custom duties including export duties and domestic duties, and (2) the according of the freedom of entry, travel and residence for the nationals of each other's country except for immigrants to whom the most favored nation clause shall be applied, and the application of the most favored nation clause to the conduct of business and the imposition of taxes.

The term of the treaty is two years, and it is provided that each of the signatories shall be able to abrogate the treaty by notifying the other six months in advance after the expiration of the term.

**Economic Missions to Japan** As a result of the marked development of Japan's foreign trade and the consolidated commercial relations with the rest of the world, Japan was visited by economic missions from various countries one after another.

In the wake of the visit of the Italian Good-will Mission to this country in the spring of 1938, the German Press Mission came to Japan in the spring of 1939.

The Argentine Economic Mission was the first to visit Japan in 1940. It was followed by economic missions from Mexico, Spain and other countries, which contributed a great deal toward the promotion of commercial relations between Japan and their respective countries.

The Argentine Economic Mission headed by Don Federico M. Quintana was composed of eleven members. It arrived at Yokohama on February 16. For about a month, the mission conferred with the leaders of the economic world of this country and inspected the business and industrial centers at various places in the country.

The Mexican Economic Mission was dispatched by the Mexican Government for the purpose of not only furthering the trade with Japan but securing closer ties of friendship with the people of this

country. The mission was composed of seventeen members headed by Ernest Idalgo, Chief Secretary of the Mexican Foreign Office.

After arriving at Yokohama on April 10, the party met with prominent figures both in the government and public circles and discussed with them on the concrete measures to be taken for the promotion of trade between the two countries. It also made an inspection trip to various places in this country.

Led by Lieut-General Albert Castro Girona, the Spanish Economic Mission of twenty members came to Japan on July 2. It received warm welcome everywhere in Japan and travelled all over the country to inspect business and industrial conditions.

#### New Philippine Immigration Law

The Congress of the Philippines which had been studying the Bill regarding the revision of the Immigration Law for checking the influx of refugees from Europe into the Philippines following the outbreak of the European war, passed the new Immigration Law on May 2, 1940. The new Immigration Law limited the entry of the immigrants of whatever nationalities to 500 a year.

The passage of the new law in the Congress dealt a heavy blow to Japan which had been permitted to send into the Philippines immigrants up to 2,800 a year.

In view of the unjust burden imposed upon the immigrants from Japan who contributed greatly toward the economic development of the islands, and who exert a great influence in the economic world there, the Japanese Foreign Ministry lodged a strong protest with the Government of the Philippines and the United States Government against the execution of the unjust measures aimed at Japanese immigrants. At the same time, it started negotiations with Manila and Washington for the alleviation of the regulations.

#### Anti-Japanese Riot in Peru

An anti-Japanese riot broke out suddenly in Lima, the capital of Peru, on May 13, 1940.

The frenzied mobs attacked Japanese stores there, and destroyed them, caus-

ing great damages to the property of the Japanese people.

Immediately, the Japanese Government filed a vigorous protest with the Peruvian Government against the acts of violence committed against Japanese stores and demanded compensation for the damages done to Japanese property and punishment for those responsible for the outbreak of the riot.

The Peruvian Government expressed to the Japanese Government, its profound regret for the outbreak of the riot, and declared that it will do everything in its power for the protection of Japanese lives and property in that country in future. At the same time, it assured the Japanese Government that those who were responsible for

the outbreak of the riot would be punished severely, and the damages done to Japanese property would be compensated according to the decisions of a joint damage inquiry committee composed of Japanese and Peruvians.

Thus, the anti-Japanese riot issue was settled amicably between Japan and Peru.

The Peruvian Government, however, promulgated a Presidential decree on May 18, and announced the prohibition of the entry of foreign immigrants into that country.

Thereupon, the Japanese Government sent a message to the Peruvian Government, and demanded an explanation for the action, and at the same time filed a protest against the measure.

### CHRONOLOGICAL INDEX OF PRINCIPAL EVENTS

For the convenience of reference a chronological index of principal events in the country's foreign relations is appended:

#### OPENING OF THE COUNTRY

- 1853—Arrival of American fleet.
- 1854—First Japanese-American Treaty.
- 1856—Arrival of first American civil envoy, Townsend Harris.
- 1857—Harris concluded convention with the Shogunate.
- 1858—Japanese-American Commercial Treaty signed.

#### OCCUPATION OF TSUSHIMA BY RUSSIA

- 1861—A Russian fleet seized the island of Tsushima but abandoned it shortly afterwards through the intervention of Great Britain.

#### BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI

- 1863—A British fleet bombarded Kagoshima city.
- 1864—A combined fleet of Great Britain, the United States, France and the Netherlands bombarded Shimonoséki.

#### IMPERIAL SANCTION OF TREATIES

- 1865—Treaties with Britain, France, the Netherlands, Russia and the United States were sanctioned by the Emperor.

#### TREATY REVISION

- 1871—Prince Iwakura's mission left for the United States and Europe.
- 1882—Count Inoué's negotiations with Britain.

- 1888—Count Okuma's negotiations.
- “ Viscount Aoki's negotiations.
- 1894—Revised Anglo-Japanese Treaty signed.

- 1897—Similar treaties concluded with other Powers.

#### THE PERUVIAN SLAVE SHIP INCIDENT

- 1872—Japanese Government seized Peruvian slaver "Maria Luz" in Yokohama.

#### EXPEDITION TO TAIWAN

- 1872—Japan sent a punitive expedition to the island.

#### EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS

- 1875—Japan ceded Saghalien to Russia in exchange for the Kurile Islands.

#### BONIN ISLAND PROBLEM

- 1875—The United States recognized Japan's territorial sovereignty over the Bonin Islands.

#### CONVENTION OF TIENTSIN

- 1885—Count Ito and Li Hung-chang signed the convention defining Sino-Japanese relations in Korea.

#### NON-ALIENATION OF FUKIEN PROVINCE

- 1889—Japan guaranteed the non-alienation of Fukien province from China.

#### SINO-JAPANESE WAR

- 1894—Japan declared war.
- 1895—Treaty of Shimonoséki concluded.

#### ANGLO-JAPANESE ALLIANCE

- 1902—Alliance signed in London.

#### RUSSO-JAPANESE WAR

- 1904—Japan declared war.
- 1905—Treaty of Portsmouth signed.

#### JAPANESE-AMERICAN ARBITRATION TREATY

- 1905—Treaty signed in Washington, D. C. on Feb. 11.

#### PROTECTORATE OF KOREA

- 1905—Protectorate convention concluded.

#### PEKING TREATY

- 1905—Sino-Japanese convention embodying relevant terms of Portsmouth Treaty signed.

#### EXCLUSION OF JAPANESE SCHOOL CHILDREN IN CALIFORNIA

- 1906—Movement started in California for exclusion of Japanese children from public schools.

#### FRANCO-JAPANESE AND RUSSO-JAPANESE AGREEMENTS

- 1907—Franco-Japanese Convention concluded.
- 1907—Russo-Japanese Agreement concluded.

#### NEW JAPAN-KOREAN AGREEMENT

- 1907—New Agreement concluded allowing Japan complete supervision of Korean domestic administration.

#### IMMIGRATION PROBLEM IN CANADA

- 1907—Japan exchanged on Dec. 3 a memorandum with Canada in connection with the immigration problem.

#### U.S.-JAPAN ARBITRATION TREATY

- 1908—Treaty concluded on Sep. 12.

#### JAPAN-AMERICAN ACCORD

- 1908—Official notes exchanged regarding the preservation of peace in the Far East.

#### ANTUNG-MUKDEN RAILWAY ISSUE

- 1909—Agreement signed on Aug. 15 between Japan and China regarding the Antung-Mukden Railway.

#### PROPOSAL TO NEUTRALIZE THE SOUTH MANCHURIA RAILWAY

- 1910—Japan refused on Jan. 21 to accept the proposal of Secretary of State Knox of the United States regarding neutralization of the South Manchuria Railway.

#### RUSSO-JAPANESE AGREEMENT

- 1910—New agreement concluded on July 4 between Japan and Russia regarding the maintenance of the status quo in Manchuria.

#### FINAL TREATY REVISION

- 1910—Japan notified Great Britain and 10 European countries on July 17 that existing treaties would

be revised a year later. On August 4, similar notices served to France and Austria-Hungary.

#### ANNEXATION OF KOREA

- 1910—Treaty of Annexation concluded.

#### INTERNATIONAL COPYRIGHT TREATY

- 1910—Japan signed the International Copyright Treaty in Berlin on September 8.

#### FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT

- 1911—An agreement concluded on May 8, regarding patents and copyright in China.

#### NEW ANGLO-JAPANESE TREATY

- 1911—Treaty concluded on the basis of the arbitration treaties between Great Britain and the United States.

#### PUBLICATION OF THE REVISED TREATIES

- 1911—The United States published revised treaty with Japan on April 5. Great Britain, Spain and Sweden did likewise on April 6, May 15 and July 13 respectively. Italy, Belgium, Denmark, the Netherlands, Switzerland and Canada published revised treaties with Japan simultaneously on July 15, followed by Germany, Austria-Hungary and France on July 16, August 3 and August 26 respectively.

#### RUSSO-JAPANESE EXTRADITION CONVENTION

- 1911—Convention concluded on September 13.

#### ANTI-JAPANESE ALIEN LAND LAW IN CALIFORNIA

- 1913—Passage of the so-called Webb Bill.

#### NANKING INCIDENT

- 1913—Negotiations regarding the Kunchow, Hankow and Nanking incidents concluded on October 7, the Chinese accepting all the Japanese demands.

#### MANCHURIA RAILWAY TREATY

- 1913—Treaty concluded between Japan and China regarding the railway building concessions.

#### RECOGNITION OF THE CHINESE REPUBLIC

- 1913—Japan recognized the Republic of China on October 6 simultaneously with the election of Yuan Shih-kai as president.

**ABOLITION OF FOREIGN SETTLEMENTS IN CHOSEN**

1914—The protocol abrogating the foreign settlements in Chosen, signed on April 20 the preceding year, published.

**THE GREAT WAR**

1914—Japan declares war on Germany and Austria.

**SINO-JAPANESE PARLEYS**

1915—The Chinese Government requested Japan January 8 to delimit the war zone in Shantung and withdraw her troops from that zone. Accordingly, Minister Hiroki in Peking held a conference with Yuan Shih-kai on January 18 to discuss Japan's counter proposals. Japan served an ultimatum on May 6, and the Chinese Government accepted all the Japanese proposals.

**SPANISH-JAPANESE TREATY**

1915—Ratifications of a commercial treaty exchanged on July 10.

**ANTI-INDEPENDENT PEACE AGREEMENT**

1915—Japan participated on Oct. 19 in the agreement of the Allied powers signed in London prohibiting the signatories from concluding a separate peace with Germany.

**WARNING TO CHINA**

1915—Anticipating disturbances in connection with the apparent designs of Yuan Shih-kai to revive the Imperial Government in China, Japan issued a warning to China on October 28.

**RUSSO-JAPANESE AGREEMENT**

1916—The third Russo-Japanese agreement for protection of Japanese and Russian interests in the Far East signed on July 3.

**ISHII-LANSING AGREEMENT**

1917—Japan and the United States exchanged notes declaring that territorial propinquity created special relation between countries. This exchange of opinion, published on November 7, is generally known as the Ishii-Lansing Agreement.

**SINO-JAPANESE MILITARY ENTENTE**

1918—Entente concluded on May 16, and its text published by the Japanese Foreign Office on May 30.

**SIBERIAN EXPEDITION**

1918—Japanese participation announced.

**DECLARATION OF THE RENDITION OF SHANTUNG**

1919—Count Uchida, the Foreign Minister announced the restoration of complete Chinese sovereignty on May 17.

**SIGNING OF THE PEACE TREATIES**

1919—Prince Kimmochi Salonji signed the Versailles treaties at 3 o'clock in the afternoon of June 28.

**DEMAND FOR THE EVACUATION OF SIBERIA**

1920—The Soviet Government of Irkutsk sent an ultimatum to Japan on March 11.

**NIKOLAEVSK AFFAIR**

1920—Attack on Japanese consulate launched.

**DECLARATION OF SIBERIAN POLICY**

1920—Japanese Government issued statement re withdrawal of troops.

**ANTI-JAPANESE IMMIGRATION**

1920—Revision of regulations by the Immigration Bureau of the United States.

**RENEWAL OF THE ANGLO-JAPANESE ALLIANCE**

1920—The Japanese and British Governments notified the Secretariat of the League of Nations on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.

**REOPENING OF THE GERMAN EMBASSY IN TOKYO**

1920—Dr. Solf arrived in Japan as the first German ambassador after the Great War.

**WASHINGTON CONFERENCE**

1921—Conference opened with Japan participating.

**THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE**

1927—Conference opened with Japan participating.

**THE LONDON NAVAL DISARMAMENT CONFERENCE**

1930—Conference opened with Japan participating.

**THE MANCHURIAN INCIDENT**

1931—Incident occurred at Mukden.

**THE JAPAN-MANCHOUKUO PROTOCOL**

1932—Protocol signed whereby Japan extends de jure recognition to the new State.

**THE WORLD ECONOMIC CONFERENCE**

1933—Conference opened with Japan participating.

**THE JAPAN-INDIA TRADE CONFERENCE**

1933—Conference held at Simla and New Delhi, India.

1934—New treaty signed at London, on July 12.

**MANCHOUKUO ESTABLISHED**

1934—The New State was proclaimed "Empire" and Mr. Pu-yi endorsed as Emperor on March 1.

**THE JAPAN-BRITAIN TRADE CONFERENCE**

1934—Conference adjourned on March 14 in failure.

**THE JAPAN-DUTCH CONFERENCE**

1934—Conference opened at Batavia on June 8 which adjourned on December 21 indefinitely.

**TRANSFERENCE OF NORTH MANCHURIA RAILWAY**

1935—Transference of North Manchuria Railway by the U.S.S.R. to Manchoukuo formally signed at Tokyo on March 23.

**JAPAN'S WITHDRAWAL FROM THE LEAGUE OF NATIONS**

1935—Became completely effective on March 26.

**THE VISIT OF THE EMPEROR OF MANCHOUKUO**

1935—The Emperor of Manchoukuo visited Japan and made a formal call upon the Emperor of Japan on April 6.

**SETTLEMENT OF NORTH-CHINA INCIDENT**

1935—All demands of the Japanese garrison at Tientsin on various problems relating to North China accepted by the Nanking Government.

**WITHDRAWAL FROM THE WASHINGTON NAVAL TREATY**

1935—Japanese Government notified the U.S. Government of her intention to terminate the Washington Naval Treaty, December 29.

**JAPAN-GERMAN AGREEMENT**

1936—The Agreement guarding against the Communist International was entered into, between Japan and Germany on November 25, 1936.

**SINO-JAPANESE CONFLICT**

1937—Beginning of Sino-Japanese hostilities on July 7.

Beginning of the hostilities at Shanghai on August 13.

Occupation of Shanghai by Japanese forces on November 13.

Fall of Nanking on December 13.

1938—Defeat of the Chinese armies at Suchow on May 19.

**THE LEAGUE OF NATIONS ON THE CONFLICT**

1937—The League of Nations declared Japanese violation of the Nine Power Treaty on October 6, and Japan refuted it promptly.

A conference was convened at Brussels on the Sino-Japanese Conflict, and Japan was invited to the conference. But Japan rejected the invitation on October 27.

**THE TRIPARTITE AGREEMENT**

1937—Italy entered the German-Japanese Agreement against the Comintern and the Tripartite Protocol was made public on Nov. 6.

**THE CHANGKUFENG INCIDENT**

1938—Soviet forces occupied Changkufeng of Manchoukuo on July 12. Hostilities between Japanese and Soviet forces ceased by the agreement concluded on August 10.

**CAPTURE OF CANTON AND HANKOW**

1938—Canton was occupied by Japanese forces on October 21, and Wuhan cities on October 27.

**DEVELOPMENT OF ANTI-COMINTERN AGREEMENT**

1939—Entrance of Manchoukuo and Hungary into the Agreement on February 24.

Spain's formal participation took place on March 27.

**BLOCKADE OF TIENSIN FOREIGN CONCESSION**

1939—English and French Concessions blockaded by Japanese Army on June 14 and the blockade lifted on June 20, 1940.

**THE SECOND EUROPEAN WAR**

1939—The British Government declared war against Germany on September 3.

**THE NOMONHAN INCIDENT**

1939—Japanese and Soviet forces commenced hostilities at Nomonhan on the Haluha on May 11, which ended on September 15

by the conclusion of a truce agreement.  
**ABROGATION OF THE COMMERCIAL TREATY BETWEEN JAPAN AND THE U.S.A.**  
 1940—The Commerce and Navigation Treaty between Japan and the

United States of America was abrogated on January 26.  
**ESTABLISHMENT OF CENTRAL GOVERNMENT IN NANKING**  
 1940—The new Central Government of China was established in Nanking on March 30.

## LIST OF ENVOYS TO AND FROM FOREIGN COUNTRIES

## Japanese Envoys to Foreign Countries

(February 1, 1940)

Country	Representatives	Address
Afghanistan	Kazuo Moriya, Minister	Légation du Japon, Kaboul, Afghanistan
Argentina	Iwataro Uchiyama, Minister	Légation du Japon, Calle Reconquista 336, Buenos Aires, Argentine
Australia	Masatoshi Akiyama, Consul-General	Consulate-General of Japan, Grace Bldg., 77 York St., Sydney, New South Wales, Australia
Belgium	Shigeru Kuriyama, Ambassador	Ambassade du Japon, 1 Boulevard Général Jacques, Ixelles, Bruxelles, Belgique
Country	Representatives	Address
Brazil	Kazué Kuwashima, Ambassador	Ambassade du Japon, 75 Rua dos Voluntarios da Patria, Botafogo, Rio de Janeiro, Brésil
"	Fujio Minoda, Consul-General	Consulat Général du Japon, Avenida Brigadeiro Luiz Antonio 487, São Paulo, Brésil
British India	Torao Wakamatsu, Consul-General	Consulate-General of Japan, No. 5 Esplanade Mansions, Government Place East, Calcutta, British India.
Canada	Shû Tomii, Minister	Legation of Japan, Victoria Bldg., 140 Wellington St., Ottawa, Ontario, Canada
Chile	Kanzo Shiozaki, Minister	Légation du Japon Avenida Pedro de Valdivia 522, Santiago, Chili
China	Keinosuke Fujii, Councillor	Embassy of Japan, Peking
"	Yutaka Tsuchida, Consul-General	Consulate-General of Japan Peking
"	Denjiro Kato, Consul-General	Consulate-General of Japan Tsingtao
"	Manabu Arino, Consul-General	Consulate-General of Japan Tsinan

"	Yoshiaki Miura, Consul-General	Consulate-General of Japan Shanghai
"	Kimikazu Hori, Consul-General	Consulate-General of Japan Nanking
"	Yoshitoshi Hanawa, Consul-General	Consulate-General of Japan, Hankow
"	—	Consulate-General of Japan, Fuchow
"	Nagao Kita, Consul-General	Consulate-General of Japan, Canton
"	Goro Uchida, Consul-General	Consulate-General of Japan, Amoy
"	Nobuo Watanabe, Consul-General	Consulate-General of Japan, Changchiakow
"	Yoshio Muto, Consul-General	Consulate-General of Japan, Tientsin
"	Shizuka Mochizuki, Chargé d'Affaires	Consulate-General of Japan, Huhehota
"	Hideaki Kurimoto, Consul-General	Consulate-General of Japan, Haikou
"	—	Consulate-General of Japan, Chengtu
Colombia	Junzo Sakane, Minister	Légation du Japon, Edificio de Banco de la Republica, Bogota, Colombie
Country	Representatives	Address
Cuba	Kensuke Horinouchi, Minister	Légation du Japon, Avenida de Bélgica entre Avenida de los Aliados y Victoria, Altura de Almendares, Habana, Cuba
Dutch E. Indies	Otoji Saito, Consul-General	Consulate-General of Japan, Scottweg 23, Batavia-Centrum, Java
Egypt	Uzuhiko Usami, Minister	Légation du Japon, No. 6 Rue Hadika Garden City: Le Caire, Egypte
Finland	Yujiro Sugishita, Minister	Légation du Japon, 11, B, Parkgatan, Helsingfors, Finlande
France	Renzo Sawada, Ambassador	Ambassade du Japon, 24 rue Greuze, Paris, (16 <sup>e</sup> ) France
French Indo-China	Rokuro Suzuki, Consul-General	Consulat Général du Japon, 76 Boulevard Carnot, Hanoi, Tonkin, Indochine
Germany	Saburo Kurusu, Ambassador	Ambassade du Japon, Berlin W. 62, Ahornstr., 1, Allemagne
"	Hiroshi Kawamura, Consul-General	Consulat Général du Japon, Hamburg, 1, Amsterdamm, 39, (Europahaus) Allemagne

"	Akira Yamaji, Consul-General	Consulat Général du Japon, Vienna, Allemagne
"	Kozo Ichige, Consul-General	Consulat Général du Japon, Prague, Allemagne
Great Britain	Mamoru Shigemitsu, Ambassador	Embassy of Japan, 37 Portman Square, London, W. I. England
"	Kiyoshi Uchiyama, Consul-General	Consulate-General of Japan, 15 St., Helen's Place, Blshopsgate, London, E.C.3., England
Holland	Itaro Ishii, Minister	Légation du Japon, 1 Guliana van Stolberglaan, Den Haag, Pays-Bas
Hongkong	Katsuo Okazaki, Consul-General	Consulate-General of Japan, Prince's Bldg., 5, Ice House St., Hong-Kong
Hungary	Kojiro Inoué, Minister	Légation du Japon, Hotel Dunapalota, Budapest, Hongrie
Iran	Shōichi Nakayama, Minister	Légation du Japon, Avenue Pahlavi, Téhéran, Iraq
Iraq	Taneaki Kumabe, Minister	Légation du Japon, Iraq
Country	Representatives	Address
Italy	Eiji Amau, Ambassador	Ambassade du Japon, Viale Regina Magherita, 260, Rome, Italie
Latvia	Shojiro Otaka, Minister	Légation du Japon, Jura Alunana ielā 2, dz 2, Riga, Lettonie
Manchoukuo	Lieut.-General Yoshijiro Umezu, Ambassador	Embassy of Japan, Hsinking
"	Kan-ichiro Kubota, Consul-General	Consulate-General of Japan, Harbin
"	Takeharu Miura, Consul-General	Consulate-General of Japan, Hsinking
Mexico	Saichiro Koshida, Minister	Légation du Japon, Calle Colima No. 168, México, D.F., Mexique
"	Yasutaro Hanami, Chargé d'Affaires	Consulat Général du Japon, Calle Colima No. 168, México, D.F., Mexique
New Zealand	Toyokichi Fukuma, Consul-General	Consulate-General of Japan, Colonial Mutual Building, Wellington, New Zealand
Panama	Kosaku Mizusawa, Minister	Légation du Japon, Panama
Peru	Masamoto Kitada, Minister	Légation du Japon, Avenida Arequipa 610, Lima, Pérou
Philippines	Tan-ichiro Yoshida, Consul-General	Consulate-General of Japan, Willson Bldg., 143 Juan Luna,

Poland	Shūichi Sakoh, Ambassador	Binondo, Manila, P.I. Ambassade du Japon, Ulica Bronislawa Pierackiego 10, Varsovie, Pologne
Portugal	Kikuji Yonezawa, Minister	Légation du Japon, Praça do Rio de Janeiro 14, Lisbôa, Portugal
Rumania	Katsutaro Miyazaki, Minister	Légation du Japon, Boulevard Lascar Catargiu 29, Bucarest, Roumanie
Singapore	Kaoru Toyoda, Consul-General	Consulate-General of Japan, Union Bldg., Collyer Quay, Singapore, Straits Settlements
Spain	Makoto Yano, Minister	Légation du Japon, Villa la Cumbre, San Sebastian, Espagne
Sweden	Shikao Matsushima, Minister	Légation du Japon, 25 Standvägen, Stockholm, Suède
Switzerland	Shō Kurihara, Minister	Légation du Japon, 95 Thunstrasse, Berne, Suisse
Country	Representatives	Address
"	Tsuneo Yanai, Consul-General	Consulat Général du Japon, 39, Quai, W. Wilson, Genève, Suisse
Thailand (Siam)	Kuramatsu Muraï, Minister	Legation of Japan, 545 Rajaprarob Road, Makasan, Bangkok, Thailand
"	Shunsuke Asada, Consul-General	Consulate-General of Japan, 545 Rajaprarob Road Makasan, Bangkok, Thailand
The U.S.A.	Kensuké Horinouchi, Ambassador	Embassy of Japan, 2514 Massachusetts Avenue, N.W. Washington, D.C., U.S.A.
"	Kiichi Gunji, Consul-General	Consulate-General of Japan, 1742 Nuuanu Avenue, Honolulu, T.H., U.S.A.
"	Toshito Satō, Consul-General	Consulate-General of Japan, Postal Telegraph Bldg., 22 Battery St., San Francisco, Cal., U.S.A.
"	Kanamé Wakasugi, Consul-General	Consulate-General of Japan, 500 Fifth Avenue, New York City, N.Y., U.S.A.
"	Hiroshi Acino, Consul-General	Consulate-General of Japan, Chicago, U.S.A.
The U.S.S.R.	Shigenori Tōgō, Ambassador	Ambassade du Japon, Malaya Nikitskaya 13.

		Moscou, U.S.S.R.
"	Funao Miyakawa, Consul-General	Consulat Général du Japon, 24 Pekinskaya Ulitsa, Vladivostok, U.S.S.R.
"	Bun-ichiro Tanaka, Consul-General	Consulat Général du Japon, 3 Ulitsa Imeni Dzerzinskavo, Alexandrovsk-Sakhalinsky, Sakhalin, U.S.S.R.
"	—	Consulat Général du Japon, 54 Komsomolskaya Ulitsa, Habarovsky, U.S.S.R.
Turkey	Toshihiko Taketomi, Ambassador	Ambassade du Japon, No. 59, Boulevard Tchankaya, Ankara, Turquie (Boîte Postale No. 357)
Union of South Africa	Ken-ichi Okada, Minister	Legation of Japan, Prudential House, Pretorius St., Pretoria, Union of South Africa (P.O. Box 1225, Pretoria)
Vénézuéla	Kiyoshi Yamagata, Minister	Légation du Japon, Avenida de los Caobos, Plaza Mohedano, Caracas, Vénézuéla

## Foreign Envoys to Japan

(March 15, 1940)

Country	Representatives	Address in Tokyo
Afghanistan	Zul Facar Khan, Minister	7 Aoba-cho, Shibuya-ku
Argentina	Dr. Rodolfo Moreno, Minister	4, Kōgai-cho, Azabu-ku
Belgium	Pierre Forthomme, Ambassador	5, Niban-cho, Kojimachi-ku
Brazil	Frederico de Castello-Branco Clark, Ambassador	2, 3-chomé, Omoté-cho, Akasaka-ku
Canada	—	16, 3-chomé, Omoté-cho, Akasaka-ku
Chile	Armando Labra Carvajal, Minister	7, 1-chomé, Shirokané Dal-machi, Shiba-ku
Colombia	Alfredo Michelsen, Minister	Imperial Hotel
Denmark	Lars P. Tøllitse, Minister	15, 4-chomé, Kudan, Kojimachi-ku
Egypt	Nicolas Khalil Bey, Minister	17, Kawada-cho, Ushigome-ku
Finland	Dr. Charles Gustave Idman, Minister	62 Tansu-machi, Azabu-ku
France	Charles Arsène-Henry, Ambassador	33 Fujimi-cho, Azabu-ku
Germany	General Eugen Ott, Ambassador	14, 1-chomé, Nagata-cho, Kojimachi-ku
Great Britain	Sir Robert Craige, Ambassador	1 Goban-cho, Kojimachi-ku
Greece	Athanase G. Politis, Minister	7, 2-chomé, Fujimi-cho, Kojimachi-ku
Holland	Général J. C. Pabst, Minister	1 Sakaé-cho, Shiba-ku
Hungary	Georges de Ghika, Minister	2 of 10, 2-chomé, Hirakawa-cho,

Iran	—	Kojimachi-ku
Italy	Giacinto Auriti, Ambassador	55 Zaimoku-cho, Azabu-ku
Manchoukuo	Yuan Chen-tuo, Ambassador	28, 1-chomé, Mita, Shiba-ku
Mexico	Primo Villa Michel, Minister	50 Sakurada-cho, Azabu-ku
Norway	—	21, 2-chomé, Nagata-cho, Kojimachi-ku
Peru	Dr. Ricardo Rivera Schreiber, Minister	17 Aoyama Takagi-cho, Akasaka-ku
Poland	Thaddée de Romer, Ambassador	2, Hiroo-cho, Azabu-ku
Portugal	Dr. Luiz Esteves Fernandes, Minister	9 Mita-Tsuna-machi, Shiba-ku
Rumania	Georges Paraschivesco, Minister	1 Sannen-cho, Kojimachi-ku
Spain	Santiago Méndez de Vigo, Minister	55 Zaimoku-cho, Azabu-ku
Sweden	Widar Bagge, Minister	2, 1-chomé, Ichibel-cho, Azabu-ku
Switzerland	Camille Gorgé, Minister	22, Nishimachi, Azabu-ku
Thailand(Siam)	Phya Sri Sena, Minister	3, No. 1, Niban-cho, Kojimachi-ku
The U.S.A.	Joseph Clark Grew, Ambassador	140, 1-chomé, Harajuku, Shibuya-ku
The U.S.S.R.	Constantin Smetanin, Ambassador	1 Enokizaka-machi, Akasaka-ku
Turkey	Ferid Tek, Ambassador	1 Mamiana-cho, Azabu-ku
		47 Kamiyama-cho, Shibuya-ku

## CHAPTER VII

### NATIONAL DEFENCE<sup>1</sup>

#### The Imperial Precepts to The Soldiers and Sailors

The forces of Our Empire are in all ages under the command of the Emperor. It is more than twenty-five centuries since the Emperor Jimmu, leading in person the soldiers of the Otomo and Mononobé clans, subjected the unruly tribes of the land and ascended the Imperial Throne to rule over the whole country. During this period the military system has undergone frequent changes in accordance with those in the state of society. In ancient times the rule was that the Emperor should take personal command of the forces; and although the military authority was sometimes delegated to the Empress or to the Prince Imperial, it was scarcely ever entrusted to a subject. In the middle ages, when the civil and military institutions were framed after the Chinese model, the Six Guards were founded, the Right and Left Horse Bureaux established, and other organizations, such as that of the Coast Guards, created. The military system was thus completed, but, habituated to a prolonged state of peace, the Imperial Court gradually lost its administrative vigor; in course of time soldiers and farmers became distinct classes, and the early conscription system was replaced by an organization of volunteers, which finally produced the military class. The military power passed over entirely to the leaders of this class; through disturbances in the Empire the political power also fell into their hands; and for about seven centuries the military families held sway. Although these results followed from changes in the state of society and were beyond human control, they were deeply to be deplored, since they were contrary to the fundamental character of Our Empire and to the law of Our Imperial Ancestors. Later on, in the eras of Kokwa and Kaéi,

the decline of the Tokugawa Shogunate and the new aspect of foreign relations even threatened to impair our national dignity, causing no small anxiety to Our August Grandfather, the Emperor Ninko, and Our August Father, the Emperor Koméi, a fact which We recall with awe and gratitude. When in youth We succeeded to the Imperial Throne, the Shogun returned into Our hands the administrative power, and all the feudal lords their fiefs; thus, in a few years, Our entire realm was unified and the ancient régime restored. Due as this was to the meritorious services of Our loyal officers and wise councillors, civil and military, and to the abiding influence of Our Ancestors' benevolence towards the people, yet it must also be attributed to Our subjects' true sense of loyalty and their conviction of the importance of "Great Righteousness." In consideration of these things, being desirous of reconstructing Our military system and of enhancing the glory of Our Empire, We have in the course of the last fifteen years established the present system of the Army and Navy. The supreme command of Our forces is in Our hands, and although We may entrust subordinate commands to Our subjects, yet the ultimate authority We Ourselves shall hold and never delegate to any subject. It is Our will that this principle be carefully handed down to posterity and that the Emperor always retain the supreme civil and military power, so that the disgrace of the middle and succeeding ages may never be repeated. Soldiers and Sailors, We are your supreme Commander-in-Chief. Our relations with you will be most intimate when We rely upon you as Our limbs and you look up to Us as your head. Whether We are able to guard the Empire, and so prove Ourselves worthy of Heaven's blessings and repay the benevolence of Our Ancestors, depends upon the faithful discharge of

your duties as soldiers and sailors. If the majesty and power of Our Empire be impaired, do you share with Us the sorrow; if the glory of Our arm shine resplendent, We will share with you the honor. If you all do your duty, and being one with Us in spirit do your utmost for the protection of the state, Our people will long enjoy the blessings of peace, and the might and dignity of our Empire will shine in the world. As We thus expect much of you, Soldiers and Sailors, We give you the following precepts:—

(1) The soldier and the sailor should consider loyalty their essential duty. Who that is born in this land can be wanting in the spirit of grateful service to it? No soldier or sailor, especially, can be considered efficient unless this spirit be strong within him. A soldier or a sailor in whom this spirit is not strong, however skilled in art or proficient in science, is a mere puppet; and a body of soldiers or sailors wanting in loyalty, however well ordered and disciplined it may be, is in an emergency no better than a rabble. Remember that, as the protection of the state and the maintenance of its power depend upon the strength of its arms, the growth or decline of this strength must affect the nation's destiny for good or for evil; therefore neither be led astray by current opinions nor meddle in politics, but with single heart fulfil your essential duty of loyalty, and bear in mind that duty is weightier than a mountain, while death is lighter than a feather. Never by failing in moral principle fall into disgrace and bring dishonor upon your name.

(2) The soldier and the sailor should be strict in observing propriety. Soldiers and sailors are organized in grades, from the Marshal and the Admiral of the Fleet down to the private soldier or ordinary seaman; and even within the same rank and grade there are differences in seniority of service according to which juniors should submit to their seniors. Inferiors should regard the orders of their superiors as issuing directly from Us. Always pay due respect not only to your superiors but also to your seniors, even though not serving under them. On the other hand, superiors should never treat their inferiors with contempt or arrogance. Except when official duty requires them to be strict and severe,

superiors should treat their inferiors with consideration, making kindness their chief aim, so that all grades may unite in their service to the Emperor. If you, Soldiers and Sailors, neglect to observe propriety, treating your superiors with disrespect and your inferiors with harshness, and thus cause harmonious co-operation to be lost, you will not only be a blight upon the forces but also be unpardonable offenders against the state.

(3) The soldier and the sailor should esteem valor. Ever since the ancient times valor has in our country been held in high esteem, and without it Our subjects would be unworthy of their name. How then may the soldier and the sailor, whose profession it is to confront the enemy in battle, forget even for one instant to be valiant? But there is true valor and false. To be incited by mere impetuosity to violent action cannot be called true valor. The soldier and the sailor should have sound discrimination of right and wrong, cultivate self-possession, and form their plans with deliberation. Never to despise an inferior enemy or fear a superior, but to do one's duty as soldier or sailor—this is true valor. Those who thus appreciate true valor should in their daily intercourse set gentleness first and aim to win the love and esteem of others. If you affect valor and act with violence, the world will in the end detest you and look upon you as wild beasts. Of this you should take heed.

(4) The soldier and the sailor should highly value faithfulness and righteousness. Faithfulness and righteousness are the ordinary duties of man, but the soldier and the sailor, in particular, cannot be without them and remain in the ranks even for a day. Faithfulness implies the keeping of one's word, and righteousness the fulfilment of one's duty. If then you wish to be faithful and righteous in any thing, you must carefully consider at the outset whether you can accomplish it or not. If you thoughtlessly agree to do something that is vague in its nature and bind yourself to unwise obligations, and then try to prove yourself faithful and righteous, you may find yourself in great straits from which there is no escape. In such cases your regrets will be of no avail. Hence you must first make sure whether the thing is righteous and reasonable

<sup>1</sup> Note: Since July, 1937, the Imperial Army and Navy have been fundamentally reorganized, and, as a matter of course, no information concerning such changes are available. Consequently, only what was known before the present wartime reorganization can here be given.

or not. If you are convinced that you cannot possibly keep your word and maintain righteousness, you had better abandon your engagement at once. Ever since the ancient times there have been repeated instances of great men and heroes who, overwhelmed by misfortune, have perished and left a tarnished name to posterity, simply because in their effort to be faithful in small matters they failed to discern right and wrong with reference to fundamental principles, or because, losing sight of the true path of public duty, they kept faith in private relations. You should, then, take serious warning by these examples.

(5) The soldier and the sailor should make simplicity their aim. If you do not make simplicity your aim, you will become effeminate and frivolous and acquire fondness for luxurious and extravagant ways; you will finally grow selfish and sordid and sink to the last degree of baseness, so that neither loyalty nor valor will avail to save you from the contempt of the world. It is not too much to say that you will thus fall into a life-long misfortune. If such an evil once makes its appearance among soldiers and sailors, it will certainly spread like an epidemic, and martial spirit and morale will instantly decline. Although, being greatly concerned on this point, We lately issued the Disciplinary Regulations and warned you against this evil, nevertheless, being harassed with anxiety lest it should break out, We hereby reiterate Our warning. Never do you, Soldiers and Sailors, make light of this injunction.

These five articles should not be disregarded even for a moment by soldiers and sailors. Now for putting them into practice, the all important is sincerity. These five articles are the soul of Our soldiers and sailors, and sincerity is the soul of these articles. If the heart be not sincere, words and deeds, however good, are all mere outward show and can avail nothing. If only the heart be sincere, anything can be accomplished. Moreover, these five articles are the Grand Way of Heaven and Earth and the universal law of humanity, easy to observe and to practise. If you, Soldiers and Sailors, in obedience to Our instruction, will observe and practise these principles and fulfil your duty of grateful service to the country, it will

be a source of joy, not to Ourselves alone, but to all people of Japan.

The 4th day of the 1st month of the 15th Year of Meiji.  
(Imperial Sign Manual)

#### General

**Special Position of Army and Navy** The Japanese Army and Navy are under the direct command of the Emperor and neither the Government nor the Diet has any right to interfere in the strategic actions or the number of men or ships to be maintained. In making any decision on military and naval strength or the organization thereof, the Emperor consults the Chiefs of the respective General Staffs, who are thereupon required to submit their plans direct to His Majesty. The plans are then handed to the Prime Minister, who in turn consults the Diet as to the necessary appropriations. Thus the Diet, while powerless to interfere with the actual naval and military projects, is entitled to determine the amount to be appropriated for their execution. If, however, the Service estimates are reduced in such a way as to render the original projects impossible of execution, this is deemed to be an infringement of the Imperial Prerogative under Article XII of the Constitution.

**The Board of Field Marshals and Fleet Admirals** This Board was created in 1898 as the Emperor's highest advisory body on military and naval affairs. Its members are at present as follows: Field Marshal H.I.H. Prince Kan'in; Field Marshal H.I.H. Prince Nashimoto; Fleet Admiral H.I.H. Prince Fushimi.

**The High Military Council** This is a larger advisory body which was created in 1887. Its membership includes, in addition to that of the above-mentioned Board, the Ministers of War and Navy, the Chiefs of the Naval and Military General Staffs and other generals and admirals specially nominated by the Emperor. Its functions are to advise the Emperor on all matters appertaining to war, especially on the correlation of the various departments of military administration, in the broader sense of the word. The Council may meet in sections to deliberate and tender advice on issues concerning the Army or the Navy separately.

**The Military Service System:** The system of compulsory military service in Japan is by no means a new one. It was established for the first time during the Taika Reformation (646 A.D.), thereafter undergoing many changes. It was greatly improved by the Taihoréi promulgated by Mommu Tenno in the year 701 A.D. According to this law the whole country was divided into several military districts to facilitate the operation of the law and one-third of the youth in each district was compulsorily enlisted for military discipline. The number of trained men in Japan in those days is said to have reached more than 100,000. A long period of peace then ensued, with the result that the law gradually dropped out of practice, giving room to the emergence of a division of people into two classes; namely, warriors on the one hand and farmers on the other.

The present law relating to military conscription was promulgated in 1872. By this law the conscription system of the country was brought back to what it was in former times. This is considered among the greatest achievements of the Meiji Tenno.

The fundamental aspects of the Japanese military service system are based upon the unique nature of the Japanese people and the peculiar psychology of the Japanese people, who are not only willing, but deem it the highest

honor, to serve in the army and the navy. All Japanese men, between 17 and 40 (except those who are disabled or those who have been imprisoned for six years or more) are required to serve.

The service is divided as follows:

(1) *Jobi héi-éki* (standing service). This is of two kinds: (a) *Gen-éki* (active service), 2 years for the army and 3 years for the navy; (b) *Yobi-éki* (1st reserve service), 5 years and 4 months for the army and 4 years for the navy.

(2) *Kobi héi-éki* (2nd reserve service), 10 years for the army and 5 years for the navy.

(3) *Hofu héi-éki* (replenishment reserve service). This is divided into two categories:—(a) First Supplementary Untrained Reservists, 2 years and 4 months for the army and 1 year for the navy. (b) Second Supplementary Untrained Reservists, 12 years and 4 months for the Navy.

(4) *Kokumin héi-éki* (national service or Militia), extending in principle for the necessary period in either arm for the man to reach the age of 40.

Men are subjected to medical examination for conscription at the age of 20, and are classed as follows:

Class I; Class II, A; Class II, B; Class III; Class IV, and Class V. They are then allocated to the various categories of service according to their medical class as follows:

Medical Class	Description	Service to which Allocated
I, II A and B	Fit for active service.	Active service or replenishment reserve.
III	Fit for national service, but not for active service.	National service
IV	Unfit for any service.	Exempt from all service.
V	Nature of fitness undecided (may be included in Class I or Class II, A or B, in the following year.)	Allocation Postponed

They are then drafted to different branches of service according to the districts to which they belong and their ability and occupation.

Those who are fit for active service (Class I, Class II, A and B) are enrolled by lottery, at each conscription district, for active service or 1st or 2nd replenishment reserve. (Volunteer enrolments for active service are ac-

cepted.) Those having finished the period of active service are placed on the 1st reserve list for terms as stated above. At the end of such terms they are removed to the 2nd reserve, and then finally to the national service. Those who have gone through the period of replenishment reserve service are also transferred to the national service.

1. Note: In 1939 some important revisions were made in the system by the promulgation of the Law amending the Military Law, an explanation of which is given elsewhere in this chapter.



Sole supporters of families, and criminals sentenced to over 6 years' imprisonment or penal servitude are also exempt from service. Those studying at certain schools, Government or private, which are recognized to be of equivalent or superior status to that of middle schools are exempt from conscription examination until the completion of their studies or until they attain their 27th year. Those staying abroad enjoy postponement of service under similar conditions, the age limit being 37.

By virtue of a revision of the conscription law in 1927, the active service of conscripts who have finished the course of a Young Peoples' School is reduced by six months, while that of the graduates from normal schools by nineteen months. In other words, the former have to serve only eighteen months and the latter only five months, instead of full two years. A similar system of short term active service has also been adopted by the Navy.

The term of active service for graduates of middle schools and higher grade schools who have received full disciplinary training while at school and passed the final examination thereof is reduced to 12 months.

The conscription examination of such students is postponed till they reach the age of full 27 years.

After 3 months' active service they may be chosen as cadets and get special training for the remaining 9 months. They may be promoted, according to ability, to either corporals or second lieutenants in the first reserve service at or after the expiration of active service. From among the graduates of technical or scientific departments of universities cadets may be chosen to supply engineers and technical officers of artillery and air forces.

**Examination for Conscription** According to medical examination, conscripts are classified into six grades as mentioned above. The figures for the past 8 years, 1928-1936, were as follows:

	Total Number Examined	Class II					
		Class I	A	B	Class III	Class IV	Class V
1928	568,796	171,744	64,970	119,753	171,758	39,861	680
1929	585,819	175,970	69,372	119,721	178,790	41,075	882
1930	595,505	174,482	69,275	121,961	187,863	40,989	938
1931	619,146	178,355	72,617	124,942	200,263	42,245	724
1932	621,844	174,282	71,556	125,938	207,401	41,951	716
1933	631,099	178,994	72,796	132,681	205,777	40,141	710
1934	641,969	185,432	72,979	135,275	206,810	40,822	651
1935	633,886	188,470	72,833	130,041	201,716	40,108	718
1936	630,802	195,832	73,722	134,744	186,610	34,316	578

Statistics on height and weight ascertained through medical examinations for 8-year period 1928-1936, are as follows:

	Average Height	Average Weight
1928	1.596 m.	52.639 kg.
1929	1.602 m.	52.823 kg.
1930	1.598 m.	52.727 kg.
1931	1.600 m.	53.007 kg.

	Average Height	Average Weight
1932	1.600 m.	52.841 kg.
1933	1.602 m.	52.816 kg.
1934	1.603 m.	52.994 kg.
1935	1.603 m.	52.950 kg.
1936	1.603 m.	53.176 kg.

The grades of education attained by men examined for conscription in the 8-year period 1928-1936, were:

	Higher Elementary School and Young		Elementary School		Uneducated	
	University School	Higher School	People's School	Elementary School (Unfinished)		
1928	81	1,209	43,309	266,611	42,200	5,973
1929	143	3,589	50,684	284,081	205,362	36,408
1930	493	7,303	65,944	296,529	197,312	31,812
1931	1,721	11,406	65,698	313,628	192,772	28,913
1932	3,741	13,188	69,147	324,204	182,064	25,323
1933	6,616	15,049	70,422	339,677	174,024	21,634
1934	9,031	16,467	72,622	356,135	165,240	18,802
1935	10,057	17,031	72,034	358,107	155,851	17,394
1936	10,285	17,155	70,992	373,823	140,910	14,591

Of those listed above as uneducated 3,463 for 1928, 3,045 for 1929, 2,873 for 1930, 3,090 for 1931, 2,543 for 1932, 2,268 for 1933, 2,433 for 1934, 2,220 for 1935 and 2,044 for 1936 were illiterates. The ratio of illiteracy, which was 4.28 per cent in 1903, 3.44 in 1911 and 2.17 in 1915, has been decreasing steadily, being 0.88 in 1925, 0.70 in 1927, 0.61 in 1928, 0.38 in 1934, 0.35 in 1935 and 0.32 in 1936.

Classified according to occupations of the households from which conscripts come in 1936, farmers head the list with 196,419 or 31.1 per cent of the total. Details follow:

Farmers	196,419
Fishermen	17,512
Miners	8,658
Industrial workers	192,348
Commercial workers	95,867
Transportation	24,486
Communications	5,807
Officials	16,698
Educators, priests, literary men, etc.	30,436
Miscellaneous	14,117
Unoccupied	28,451
Total	630,802

**Volunteers** The number of volunteers who are from 17 to 20 years of age, regulated by the Military Service Law, Article 7, was 25,891 in 1935 and 13,926 of which were allowed to enter the active service, a decrease of 182 in the number of volunteers and an increase of 1,132 in that of those who passed examination as compared with the previous year.

**Conscripts and Leave of Absence** Conscripts may return home to attend to family business for periods varying with the necessity of the case, but in no case exceeding 14 days. This de-

parture from the general rule was proposed in 1919 to meet the convenience of the families of conscripts and was carried into effect at once.

**Courts-Martial** The Court Martial Law provides that (1) all offences committed by officers and men shall be given public trial, (2) accused persons shall be given the benefit of counsel in their defense. Provision is also made for appeal.

The Army has eight courts-martial, namely, the High, the Divisional and six other temporary ones; the Navy has seven, the High, the Tokyo, the Admiralty and four other temporary ones. Courts-martial are always composed of judges (military or naval officers), law officials (civil) and clerks. The number of these varies in accordance with the nature of the court in question.

**Gendarmerie** The gendarmerie is under the control of the War Minister and mainly takes charge of military police, although it may assist civil or judicial police. Orders may, therefore, come from Ministers of Home Affairs and Justice. As military police its function is to see military laws and order kept. Guarding of military secrets, policing of fortress districts and naval stations, enforcement of laws concerning conscription, active service, calling out of the reserve, enforcing levy and martial laws, general surveillance of military discipline, and keeping order in war districts; these things come under its administrative responsibility. The searching and detection of crimes among military men, the collection of evidences and the arrest of culprits come under its judicial responsibility. The number of gendarmes is: Japan proper 1,450. Chosen 490, Manchoukuo 190, and Taiwan 90.

### The Army

**Outline History** The Army under the Imperial régime was organized for the first time in the fourth year of Meiji (1871), when the samurai of the Kago-shima, Kochi and Yamaguchi clans formed an Imperial Bodyguard consisting of a few battalions, and four regular army divisions were established in Tokyo, Osaka, Kumamoto and Sendai. In January, 1873, the Government adopted a conscription system, by which members of all social classes were held equally liable for military service. The divisions in Nagoya and Hiroshima,

which were established that year, were the first fighting units in this country to contain members of the farmer, merchant and other non-samurai classes. The total strength of the Japanese Army at that time was seven divisions consisting of about 36,000 men on peace standing and 46,250 on a war footing.

The number of soldiers to be mobilized was steadily increased after the Saigo Rebellion of 1877, but it was with this "cadre" of seven divisions that Japan defeated China in 1894-5. In the ten years following the Japan-China War,

six more divisions were established with the result that Japan was able to put nearly one million men in the field during the Russo-Japanese War of 1904-5.

In 1922 Japan's Army strength reached twenty-one divisions consisting of 308,000 men on peace standing. The peaceful atmosphere in world affairs after the European War and the national financial condition made it necessary for Japan to reduce the army, and as the result of a readjustment effected between 1922 and 1924, a reduction of 1,800 officers, 56,000 men and 13,000 horses was made. This corresponds to a reduction of about five divisions on peace standing. In May, 1925, four more divisions (the 13th, 15th, 17th and 18th) were abolished, and the present strength of the Japanese Army is 17 divisions and about 230,000 men on peace standing, inclusive of the Taiwan and Kwantung Armies.

#### Administrative Organization

Administration of the Army is conducted by the following three organs, the chiefs thereof working under direct orders from the Throne:

**The Ministry of the Army** The central organ for military administration. The Ministry contains eight departments, the names and functions of which are listed below:

(a) The Minister's secretariat takes charge of all secret affairs, papers and other records, and general office work.

(b) The Bureau of Personal Affairs is in charge of all affairs concerning the personnel of the army. It consists of two sections, the one dealing with appointments, promotion, etc., the other with decorations.

(c) The Bureau of Military Affairs is the real centre of military administration, and is responsible for the establishment of the system and organization of the Army, for the proclamation and withdrawal of martial law, and for all the affairs concerning ceremonies to be observed by the soldiers, morals and discipline among the men, the drafting of men and horses to various units, the conscription system, etc., etc.

(d) The Replenishment Bureau is divided into two sections, one for mobilization and the other for co-ordination, and is responsible for the establishment and improvement of the mobilization system, preparation and co-ordination of war supplies, improve-

ment of military transportation, etc.

(e) The Arms and Ordnance Bureau consists of the section for rifles and guns and the section for various supplies. It is in charge of arms, ordnance, and various supplies of war.

(f) The Intendance Bureau has four sections, the Paymaster's, Audit, Clothing and Provisions, and Construction. This bureau is responsible for expenditure, the inspection of accounts, preparation of budgets, provisions, clothing, structures, etc.

(g) The Medical Bureau is responsible for all sanitary and medical arrangements among officers and men. It consists of the section of sanitary affairs and the section for medicine and surgery.

(h) The Judicial Bureau is responsible for the organization of courts-martial and all other affairs in connection with martial law.

The Ministry of Army also supervises the following organizations situated in various parts of the country.

(a) The Military Aviation Bureau is the central organ for the study of military aviation, and is required to organize the education of pilots and mechanics, to supervise repairs, replenishment, and purchases of aeronautical supplies, etc.

(b) The Technical Investigation Bureau conducts researches on all technical developments likely to effect military efficiency. Inspection of ordnance and various war supplies is conducted by this bureau. Under its supervision is the Laboratory of Military Science which conducts research on methods of scientific warfare.

(c) The Military Technical Board. This is an organ for deliberation on all technical problems submitted by the Army Minister.

(d) The Military Arsenal is responsible for the establishment of designs and plans of arms and ordnance, as well as repairs and examination of various supplies of war inclusive of gun-powder. It has branches in Osaka, Nagoya, Oji, Kokura and Heijo.

(e) The Woolen Factory at Senju is engaged in the manufacture of woolen yarn and clothes for military supplies.

(f) The Remount Bureau has charge of horse replenishment, including breeding and purchase.

(g) The Military Arms Depot is responsible for the purchase, storage re-

pairs, maintenance, supply, exchange, and scrapping of arms and ordnance. It also takes care of the guns installed in fortresses. The main office is in Tokyo and there are branches in Chiba, Osaka, Nagoya, Kokura, and Hiroshima.

(h) The Military Clothing Depot has its head office in Tokyo, and branches in Osaka and Hiroshima. It takes care of the manufacture, purchase, storage, and supply of all clothing supplies.

(i) The Military Hygienic Supplies Depot is responsible for the manufacture, purchase, storage, supply, and inspection of all hygienic supplies.

(j) The Military Depot of Provisions and Forage, with its head office in Tokyo and branches in Osaka and Ujina, is in charge of the preparation and supply of provisions and forage.

(k) The Fortifications Bureau is responsible for the construction, inspection, and maintenance of all defensive structures, besides being required to conduct researches on artillery and military engineering.

(l) The Military Transport Bureau is situated at Ujina and looks after all matters concerning the transportation of troops.

**The General Staff** It deliberates on national defence and strategy. It is also required to train and supervise all staff officers. The Staff College and the Land Survey Bureau are under the control of the Chief of the General Staff.

The Land Survey Bureau is responsible for the replenishment of military maps, production of maps for public use and the training of experts for the Bureau services.

**The Department of Military Training** It is in charge of all military schools and the training and education of officers and men, as well as the co-ordination and development of military education; aeronautical education of military aviation, however, is entrusted to the Aviation Bureau, and the training of staff officers comes under the General Staff.

The Department consists of the headquarters and sections for cavalry, artillery, engineers and commissariat.

#### Field Organization

**The Division** A division generally consists of 2 infantry brigades, 1 cavalry regiment, 1 engineer battalion, and 1 commissariat battalion. To some larger

divisions, a tank corps, or a mountain artillery regiment, or a heavy field artillery regiment, is attached. While a few others include a full cavalry brigade, a regiment of transport or an anti-aircraft regiment. Eight ammunition columns (4 infantry and 4 artillery), 6 field hospitals, and 1 remount depot accompany each division on service. The number is about 10,000 on peace standing. Divisional commanders hold the rank of Lieutenant-General, brigade commanders that of Major-General.

**The Regiment** An infantry regiment consists of 3 battalions and a machine-gun corps, and an infantry battalion of 3 companies of 150 men each, and a machine-gun section. A company is subdivided into three sections.

A cavalry regiment, of which Japan has 25 at present, consists of 2 or 3 squadrons. Eight of these regiments are organized into four independent cavalry brigades, while the remaining seventeen are attached one to each of the divisions.

Japan has 30 artillery regiments and 10 battalions, namely 15 regiments of field artillery, 1 battalion of horse artillery, 4 regiments and 1 battalion of mountain artillery, and 8 regiments of heavy field artillery. A field artillery regiment is divided into 3 battalions, and a battalion into 3 companies. On peace strength a field artillery regiment consists of only 6 batteries each equipped with four guns. In addition there are 3 regiments and 8 battalions of heavy artillery, which are responsible for the defence of fortified zones.

In peace time  $\frac{1}{2}$  regiment and 1 battery of anti-aircraft artillery are maintained.

**Air Force** Japan's air force is divided into units attached to the Army and Navy respectively. The Army air force consists at present of 11 reconnoitering squadrons, 11 fighting squadrons, 4 bombing companies, and 2 balloon companies, consisting of approximately 1,000 planes.

#### The Peace Strength

A full statistical classification of the peace strength of the Army, with the total number of soldiers nearly 250,000, in 1930, is given below. In addition to the units listed, a force of gendarmerie 2,220 strong and a medical corps, about 1,500 strong are maintained.

Units	No. of Complete Regiments	No. of Additional Battalions
Infantry	70	6
Cavalry	25	—
Field Artillery	14	—
Mountain Artillery	5	1
Mounted Artillery	—	1
Heavy Field Artillery	8	—
Heavy Artillery	3	8
Engineers	—	17
Railway Corps	2	—
Telegraph Corps	2	—
Air Force	9	—
		(corps)
Balloon Corps		1
Commissariat		15
Tank Corps		2
		(corps)
Anti-Aircraft Artillery	1	1

This force is divided into 17 divisions and 34 brigades.

#### Fortresses

The Army has 17 fortresses at places of strategic importance in different parts of Japan proper and its dependencies. At each of these fortresses, a heavy artillery regiment or battalion is stationed, and in some cases an air force detachment.

Name	Place
Artillery and Engineers School	Tokyo
Infantry School	Chiba prefecture
Cavalry School	" "
Field Artillery School	" "
Heavy Field Artillery School	Kanagawa prefecture
Engineers' School	Chiba "
Signallers' School	Tokyo "
Mechanical Transport School	" "
Narashino Military School	Chiba prefecture
Toyama School	Tokyo city
Military Academy	" "
Military Preparatory School	" "
5 Non-Commissioner Officers' Schools	Tokyo, Sendai, Toyohashi, Kumamoto

Toyama School teaches fencing, gymnastics and military music to both officers and men.

(2) The Staff College (Tokyo City) under the direct control of the General Staff.

(3) Those under the control of various bureaus of the Ministry of the Army, of which a full list is given below:

#### Promotion and Age Limit

Army officers in service are promoted to higher ranks by selection in accordance with the following rules in time of peace, the time limit being reduced by one-half in war time:

One year from Sub-Lieutenant to Lieutenant, 2 years from Lieutenant to Captain, 4 years to Major, 2 years to Lieutenant-Colonel, 2 years to Colonel, 2 years to Major-General, 3 years to Lieutenant-General. Promotion to full General and then to Marshal is subject only to the Emperor's will.

The age limit for officers on the active list varies according to rank as follows:

General	65
Lieutenant-General	62
Major-General	58
Colonel	55
Lieutenant-Colonel	53
Major	50
Captain	48
Lieutenant and Sub-Lieutenant	45

There is no age limit for Marshals.

#### Army Education

Schools providing instruction in military affairs are of three categories as follows:

(1) Those under authority of the Department of Military Education, of which a full list is given below:

Name	Place
Tokorozawa Flying School	Saitama prefecture
Akéo Flying School	Miyé prefecture
Hamamatsu Flying School	Shizuoka prefecture
Shimoshizu Flying School	Chiba prefecture

Name	Place
Tokorozawa Flying School	Saitama prefecture
Akéo Flying School	Miyé prefecture
Hamamatsu Flying School	Shizuoka prefecture
Shimoshizu Flying School	Chiba prefecture

Name	Place
Engineering School	Tokyo City
Intendance School	Tokyo City
Army Medical School	Tokyo City
Army Veterinary School	Tokyo City
Gendarmerie Training School	Tokyo City

The Flying School at Tokorozawa gives the necessary training to military fliers as to how to handle and repair a plane and its engine, and meteorological observation, besides a knowledge of the materials of which planes and engines are constructed. This school is opened to civilian students. The Flying School at Shimoshizu gives instruction in aerial photography, aerial communications and reconnoitering. The Akéo Flying School gives courses to army pilots on aerial tactics, air navigation,

handling of machine-guns on a plane and also on the construction of aerial weapons.

To raise the level of educational capacity and general efficiency among officers, certain special courses and facilities are arranged. Graduates from universities in science or engineering are now entitled to the position of engineer of artillery lieutenants after six months' cadetship, while those from the medical and agricultural colleges are qualified to become surgeon and veterinary lieutenants respectively after three months' cadetship. Non-commissioned officers of ability may be promoted to the rank of lieutenant in virtue of a system adopted in 1930, after a short period of special training. Posts still higher, even to the supreme Marshalship, are open to non-commissioned officers of exceptional ability.

#### The Navy

**Outline History** As a result of the policy of seclusion strictly followed by the Shogunate Government of the Tokugawas, Japan was without anything worthy of the name of a navy, when Commodore Perry's fleet entered Uraga Bay in the 8th year of Kaéi (1853) with a view to inducing the Shogun's Government to open Japanese ports to the world. By the 4th year of Anséi (1857), however, Japan was in possession of a few warships given her by Holland and England. They formed the first squadron of the Western type that the nation ever had. By the efforts of the Meiji Government, this squadron developed into an efficient fleet of 28 fighting craft and 24 torpedo-boats, with a total tonnage of over 50,000 tons by 1894, when Japan declared war on China. After the Sino-Japanese War, Japan's navy grew very rapidly and in 1902, just before the outbreak of the Russo-Japanese War, was in possession of 78 ships with a total tonnage of 256,816 tons.

**The Naval Policy** Japan's naval policy was, and is, to maintain a fleet powerful enough to defend the country against any naval force which could be dispatched to the western Pacific by any naval Power of the world. This policy was embodied first in the expansion plan adopted in 1907, including the construction of 8 battleships, 8 battlecruisers, 21 light cruisers, 64 destroyers, and 32 submarines. As a preliminary

to carrying out the plan, it was decided to build 8 battleships, 4 battle-cruisers, 11 light cruisers and a number of destroyers and submarines at a total expenditure of ¥254,000,000. In 1916, the Diet passed the program to be carried out in the seven years ending 1923. In 1917, the program was enlarged by a project covering the construction of 2 more battle-cruisers and a number of auxiliary ships in the six years ending 1923. In 1919, this program was enlarged by a new project covering the construction of 8 capital ships and 85 auxiliary ships at a total expenditure of ¥750,000,000 to be appropriated in the eight years ending 1927. Thus, in 1921, Japan's naval expenditure amounted to about ¥500,000,000 or about one-third of the total amount of the budget.

**The 1919 Program** The number and kind of ships to be constructed by the 1919 plan were 8 battleships armed with 16-inch guns (Nagato, Mutsu, Tosa, Kaga, etc.) and 8 battle-cruisers (Amagi, Akagi, etc., etc.) 26 light cruisers, 84 destroyers, and 93 submarines. As a result of the Washington Conference, the construction of these ships was abandoned, the Mutsu and the Nagato being retained on the list, while the Akagi and the Amagi were retained for conversion into aircraft carriers. (The great earthquake of 1923 made the Amagi unfit for service, and she was replaced by the Kaga.)

After the Conference every effort was made to build up a powerful fleet of auxiliary ships to compensate for the deficiency in capital ships, of which Japan was allowed only 9 as against the 15 each of America and Britain. This effort resulted in the establishment of a well balanced fleet of auxiliary ships. The Naval Treaty signed in London in 1930, however, again gave Japan a low ratio in the number and tonnage of eight-inch gun cruisers, and allowed her only 52,700 tons of submarines, in spite of her demand for a minimum of 78,000 tons. This made it necessary further to reinforce the auxiliary fleet.

**The 1931 Plan** In 1931, the First Naval Replenishment Plan was referred to the Diet which passed it almost unanimously. The plan covers the construction of 4 light cruisers of 8,500 tons each, 12 first class destroyers of 1,400 tons each, 9 first class submarines, 1 large mine-layer, 3 smaller mine-layers, 4 torpedo-boats, and 6 mine-sweepers, at a total expenditure of ¥247,080,000 to be appropriated in 6 years.

**The 1932 Plan** The replenishment plan is accompanied by two other plans, the first of which covers the establishment of 12 naval flying corps on land and an aeronautic arsenal, the improvement and reinforcement of other ships, and the improvement of planes carried on plane-carriers and arms to be mounted on naval planes. The total expenditure for this, amounting to ¥81,970,000, is to be voted by 1936. On its completion, the plan is to be followed by another expansion plan covering the establishment of 2 more flying corps on land at a total expenditure of ¥50,000,000. The second plan supplementary to the 1931 Replenishment Plan covers a total expenditure of ¥44,950,000 to be appropriated for the modernization of capital and auxiliary ships, plane-carriers, submarines, and the replacement of guns, etc. When these replenishment programmes are completed, Japan will have 12 Treaty cruisers, 23 light cruisers, 4 plane-carriers, 4 submarine tenders, 6 mine-layers, 8 coast defence ships, 13 gunboats, 79 first class destroyers, 34 second class destroyers, 33 first class submarines, 38 second class submarines, 4 torpedo-boats, 14 mine-sweepers, 3 training-ships, 1 target ship, 2 surveying ships, 17 transports, and 1 ice-breaker.

The naval authorities submitted the

second naval replenishment plan to the Ministry of Finance for consideration on October 31, 1932. The plan called for a total expenditure of ¥460,000,000 covering the construction of one plane-carrier of 8,000 tons, two 8,500 ton cruisers with 8-inch guns, 14 first class destroyers of 1,400 tons each, six submarines, one mine-layer of the 5,000-ton type, a number of torpedo-boats and mine-sweepers, and the establishment of 8 flying corps on land, all for completion in the 4 years ending 1936.

**Improvement.** In 1935 the Second Air Force Squadron was added to the Second Fleet which was composed of the Akagi, aircraft carrier, and 9th destroyer flotilla.

Naval defence on Chinese seas was formerly divided into three sections, i.e. north China defended by boats under the Ryojun Minor Naval Station, central China defended by the Third Fleet and south China by boats under the Bako Minor Naval Station. These three were united into one in 1935 and is now defended by the Third Fleet which was composed of the 10th and 11th Squadrons and the 5th Destroyer Squadron.

In addition to the naval barrack which had been instituted in 1933 defence corps were organized in 1935 to reinforce the coastal defence (see "The Three Districts", this Chapter).

An air force enlargement plan has been carried out according to the first and second programmes. Kuré and Saeki air corps were completed, and the four corps at Kisarazu, Malzuru, Tomloka (Yokohama) and Shikaya (Kagoshima prefecture) are to be completed by the end of 1936.

Along educational lines improvements were made by prolonging school years in Naval College, Naval Engineering College and Naval Paymasters' College from 3 years 8 months to 4 years, and a greater number of freshmen were taken into these colleges.

#### Administrative Organization

Warships and other vessels organized into fleets and squadrons actually represent what is called the Japanese Navy and organs under the jurisdiction of the Navy Ministry are intended for the construction, maintenance, control and successful utilization of these vessels. Each naval station and fleet is placed in charge of a Commander-in-chief, who is responsible for

the discipline and education of his men.

**The Minister** The Minister of Navy is in charge of the administration of the Navy, while the Chief of the Naval Staff is directly responsible to the Emperor for operation, mobilization and intelligence. The administrative departments under the supervision of the Minister of Navy are the following:

- (1) Ministerial Secretariat
- (2) Bureau of Military Affairs
- (3) Personnel Bureau
- (4) Education Bureau
- (5) Bureau of Stores
- (6) Medical Bureau
- (7) Bureau of Accounts and Supplies
- (8) Bureau of Civil Engineering
- (9) Bureau of Judicial Affairs
- (10) Library
- (11) Telegraphy Division

The schools under the supervision of the Minister are:

(1) Naval War College (Tokyo). This school is intended for the training of advanced students selected from among naval officers.

(2) Naval College (Etajima). This school is intended for the education of intending naval officers. Warrant officers are also educated here before they are promoted to the rank of special service officer.

(3) Naval Engineering College (Malzuru). This school is intended for the education of intending engineering officers. Warrant engineering officers are received under the same conditions as at the Naval College.

(4) Naval Medical College. This school is to train surgeons and pharmacists and to conduct research in the field of surgery, medicine and naval sanitation. Warrant Ward masters are educated here before they are qualified for the rank of Wardmaster Lieutenant.

(5) Naval Paymasters' College. This school is intended for the education of intending naval paymasters. Warrant Writers are educated here before they are qualified for the rank of Accountant Lieutenants.

**Under the Commander-in-Chief** The following schools are under the direct supervision of the Commanders-in-Chief of the Naval Stations.

(1) Naval Gunnery School (Yokosuka). Officers, special service officers, warrant officers and seamen of special ratings are admitted.

(2) Torpedo School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(3) Naval Communication School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(4) Navigation School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(5) Submarine School (Kuré). Officers, warrant officers and seamen specially selected are trained here for submarine warfare. Researches on submarine construction and operation are also conducted.

(6) Naval Machinists' School (Yokosuka). This school is for the training of warrant officers and seamen aspiring to the rank of engineering officer, or special service engineering officer, or shipwright.

#### Active Service Organization

**The Three Districts** The coasts of Japan and the seas surrounding the country are divided into three Naval Districts, and these districts are placed in charge of naval stations as follows:

1st Naval District, consisting of the coasts of Aomori, Iwaté, Miyagi, Fukushima, Ibaraki, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi, Miyé, Hokkaido and Karafuto, and the adjacent seas, is in charge of the Yokosuka Naval Station.

2nd Naval District, consisting of the coasts of Wakayama, Osaka, Hyogo, Okayama, Hiroshima, Yamaguchi, Shimané, Tottori, Kyoto, Fukui, Ishikawa, Toyama, Niigata, Yamagata, Akita, Tokushima, Kochi, Ehime, Kagawa, Oita, Miyazaki, and the eastern part of Fukuoka prefecture, and the adjacent seas, is in charge of the Kuré Naval Station.

3rd Naval District, consisting of the coasts of the remainder of Fukuoka prefecture, Saga, Nagasaki, Kumamoto, Kagoshima, Okinawa, Taiwan and Chosen and the adjacent seas, is in charge of the Sasébo Naval Station.

The coasts and adjacent seas of the South Sea Islands, now under mandate to Japan, are in charge of the Yokosuka Naval Station. There are also minor naval Stations at Malzuru in Kyoto prefecture, Ohminoto in Aomori prefecture, Chinkai in Chosen, Bako in the Boko Islands (Pescadores) and Ryojun (Port Arthur) in Kwantonyu (Kwantung).

The naval districts have each a naval barrack, which is responsible for the defence of the naval port where it is posted, besides being required to protect

the neighboring district from attack. In addition to the naval barrack, each naval station or minor naval station has a defence corps, which is responsible for the defence of the neighboring seas. Where there is no naval barrack, the defence corps is required to take care of the port where it is stationed and to protect the neighboring district from attack. The naval ports and minor naval ports have respectively one or more air force detachments, which are required to protect the port and neighboring district from naval and aerial raids.

#### Naval Office in Manchoukuo

Japan's recognition of Manchoukuo and provisions of the Japan-Manchoukuo Protocol necessitated military and naval actions in that country on the part of Japan and to meet the emergency the Navy Ministry of Japan issued a law in March, 1933, for the establishment of the Naval Department in Manchoukuo to be located in Hsinking.

The Office takes charge of the patrolling and protection of the rivers and the coast lines of Manchoukuo. The commander is directly under orders of the Emperor of Japan, and as to the administration he acts in accordance with the order of the Minister of the Navy of Japan. At present a provisional Naval Defence Brigade is quartered at Harbin and is guarding the banks of the Sungari.

**Ryojun (Port Arthur) Naval Station**  
The Imperial Naval Station at Ryojun was abolished in November, 1922, according to the Naval disarmament program. But the newly created situation in Manchuria necessitated its re-establishment in April, 1933. The station is under a special regulation independent of the Naval stations in the home land. It has specific duties in the Kwantung Leased Territory and is engaged in the protection of the coasts of Kwantung Province, Manchoukuo and North China above the Yangtze.

#### The Standing Fleets

The standing fleets as reorganized on November 3, 1936, are as follows:

##### Combined Fleet

The Combined Fleet is organized with the 1st, 2nd fleets and the 12th Squadron, Mamiya and Naruto appended.

##### 1st Fleet

1st Squadron—Nagato, Mutsu, Hyuga.  
3rd Squadron—Haruna, Kirishima.

8th Squadron—Kinu, Natori, Yura.  
1st Destroyer Squadron—Kawachi, 9th and 21st destroyer flotillas.  
1st Submarine Squadron—Isuzu, 7th and 8th submarine flotillas.  
1st Air Force Squadron—Hosho, Ryujo, and 30th destroyer flotilla.

##### 2nd Fleet

4th Squadron—Takao, Maya.  
5th Squadron—Nachl, Haguro, Ashikaga  
2nd Destroyer Squadron—Jintsu, 7th, 8th and 19th destroyer flotillas.  
2nd Submarine Squadron—Jingô, 12th, 29th and 30th submarine flotillas.  
2nd Air Force Squadron—Kaga, 22nd destroyer flotilla.  
12th Squadron—Okishima, Kamol, 28th destroyer flotilla.

##### 3rd Fleet

10th Squadron—Izumo, Tenryu, Tatsuta  
11th Squadron—Ataka, Toba, Seta, Katada, Hira, Hotzu, Atami, Futami, Kuri, Tsuga and Hasu.  
5th Destroyer Squadron—Yubari, 13th and 16th destroyer flotillas.  
Saga is appended.

##### Training Squadron

Yakumo and Iwaté.

#### The Naval Air Force

The Naval Air Force consists of:

(1) 7½ aeroplane corps at Kasumigaura, 5 aeroplane corps at Yokosuka, 5½ aeroplane corps at Tatéyama, 1½ aeroplane corps at Sasébo, 2½ corps at Omura, 1½ corps at Kuré, 1½ Corps at Sahéki and 1½ Corps at Ominato, the number of planes belonging to these air corps are unavailable; and (2) the aircraft-carriers proper, Kaga, Akagi, Hosho, Noto, Ryujo, Kamol and several other ships, the number of planes carried are unavailable. Flying officers and men number over 10,000.

#### The Personnel

Classified according to ranks, naval officers on the active list were as follows at the end of 1934:

Admirals to Rear-Admirals and non-executive officers	148
Captains to Lieut.-Commanders and non-executive officers	2,395
Lieutenants to 2nd Sub-Lieutenants, non-executive officers, midshipmen and special service officers	3,958
Warrant officers	1,953
Cadets at school	348
Total	8,802

Equipment Each naval station is

equipped with a shipbuilding yard, and one or more dry docks for accommodating warships. The Yokosuka and Kuré arsenals are capable of taking in super-dreadnoughts of over 40,000 tons, but those of Sasébo and Maizuru are only fit for building cruisers and smaller ships. There are a number of up-to-date private establishments, such as the Mitsubishi shipyard at Nagasaki, Kawasaki shipyard at Kobé, Fujinagata shipyard at Osaka, and Ishikawajima shipyard at Tokyo. Of these the Mitsubishi and Kawasaki shipyards are capable of building superdreadnoughts.

#### Warship Building

The first warship built in Japan was the Sélki (870 tons) launched at Yokosuka in 1875. She played an important part in the civil war of 1877. The Hashidaté (4,228 tons), launched just before the Sino-Japanese War of 1894-5, remained the largest warship built at home until 1903. Soon after the Russo-Japanese War, Japan succeeded in building the battle-cruisers Tsukuba (13,800 tons), Ikoma, and Kurama (14,600 tons each), the battleships Satsuma (19,300 tons), Aki (19,250 tons), Kawachi and Settsu (20,800 tons each). The two last named were the first dreadnoughts planned and constructed at home and marked a new stage in the progress of naval architecture in Japan.

The Tsukuba and Kawachi sank 18 and 17 years ago respectively as a result of an explosion of their magazines, the former at Yokosuka and the latter at Tokushima, while the Satsuma and Aki were removed from the list and sunk in target practice. The Settsu has been converted into a target ship of 16,130 tons and is still in service.

**Independent of Foreign Material** Up to recent years, Japan was dependent on foreign countries as regards war material, but is now almost independent in this connection. She has ample supplies of coal, iron, copper and zinc as long as she controls the mines in Manchuria. At present 95 per cent of warship building materials is of home production and in case of international competitive building of warships Japan will lose little out of the competition in international payments. The supply of crude oil is still insufficient, but the rapid progress in the oil-shale industry of Manchuria, and the remarkable development of the oil industry in North Saghalien, Taiwan, etc., show that the empire will shortly be self-sufficing in

this respect also. The Imperial Iron Works at Yawata (Kyushu) has an annual output of about 200,000 tons of armor plates, rails, etc., while the Muroran Steel Works of Hokkaido is turning out an ample quantity of steel for use by the Army and Navy. In the chemical industry also, Japan is now almost independent and prepared for any form of chemical warfare.

#### List of Ships

The Navy consisted on September 30, 1936 of the following ships, classified by types with the total tonnage in each:

Type	No.	Tonnage
Battleships	9	272,070
Training Battleship	1	19,500
1st Class Cruisers	12	107,800
2nd Class Cruisers	25	107,255
Aircraft Carriers	6	68,370
Seaplane Carriers	3	31,050
Submarine Tenders	5	31,015
Mine Layers	6	19,630
Coast Defense Vessels	7	55,450
Gun Boats	11	5,045
1st Class Destroyers	80	95,479
2nd Class Destroyers	30	23,390
1st Class Submarines	37	49,157
2nd Class "	25	20,927
Torpedo Boats	12	2,108
Mine Sweepers	12	6,642
Special Service Ships	21	219,935
Total	302	1,134,823

(Tonnage of ships under construction is not included. The full individual list of warships at the same date is given in the Japan Year Book, 1937.)

#### The Planes

The battle planes in use in the Naval Air Force are of type 3 and type 90. The bombers and torpedo planes in use are of type 13, type 89 and type 92. Some of these machines played an important part in the Sino-Japanese conflict in Shanghai, but some of them are not suitable for an aerial war in the future.

The reconnoitering planes in use are of type 14. They are equipped with a 450 h.p. motor and can cover nearly 200 kilometers an hour. They are armed with a machine-gun mounted behind the seat of the reconnoitering officer, so that he can defend the machine against enemy fire from behind. Their speed is considered too slow for satisfactory service in the future. Type 15 and type 90 are also in use.

There are also a few large patrol planes of type 90. No. 1 of these is of metallic material, 21 metres long, 30 metres wide, 12 tons in weight, and is

equipped with a number of motors producing 2,100 h.p. in all. Its maximum speed is 220 kilometres an hour. The No. 2 of type 90 is 20 metres long, 30 metres wide, 13 tons in weight, and equipped with motors producing 2,400 h.p. in all. Both of them are superior in performance to the PN-12 of the American Navy, which has a speed of less than 200 kilometres.

#### Naval Promotion

Officers are promoted by selection, and candidates for special promotion are selected at the conference of the Admirals' Council.

The regular course of promotion for

Promotion
Commander—Lieutenant-Commanders
Captains—Commanders
Rear-Admirals—Captains
Vice-Admirals—Rear-Admirals
Admirals—Vice-Admirals

them is: Midshipmen, over one year's service on a training ship; 2nd Sub-Lieutenants, over one year's service; 1st Sub-Lieutenants, over 18 months' service including 6 months' service in Torpedo or Gunnery School. Lieutenants of over 4 years' service are promoted to Lieutenant-Commander.

Special service 1st Sub-Lieutenants, over two years' service; Special service 2nd Sub-Lieutenants, over three years' service. Special service Lieutenants (combatants, engineers and pay-masters) may be promoted to Lieutenant-Commander by special appointment.

The qualifications for subsequent promotion are as follows:

Minimum Service in Lower Rank
2 years
2 "
2 "
2 "
Period determined by Imperial order subject to special merit

N.B. 1st class warrant or ranking officer of over 6 years in the service may be promoted to 1st Lieutenant or ranking officer.

#### Revision of the Military Service Law

The Law Amending the Military Service Law was promulgated on March 8, 1939. The items of revision include: amendments to the regulations on the term of military service; conscription of ex-service men; postponement of conscription for students and the manner of this conscription; abrogation of the short-term service system; and recognition of the privilege of postponement of conscription for Japanese students in Manchoukuo Government schools.

**Revision of the Term of Service**  
Under the new Law the term of the supplementary reserve service for the Army was lengthened from 12 years and four months, while that of the first reserve service for the Navy was prolonged from four years to five years and that of the second reserve service from five years to seven years.

**Change in Method of Conscription of Young Men** Changes were made in the method of selecting the young men at the physical examination for military service.

According to the old provisions pertaining to the physical standards of young men to be taken as conscripts, the minimum height of those fit for service, i.e. men who may be classed medically in Classes I and II, was fixed at 1.5

metres, and the active service men and the first supplementary untrained reservists were to be chosen from among the men with heights of 1.6 metres or above. The final selection was made by a drawing participated in by those whose height was 1.6 metres or above and who were classed medically as fit for the said service. All those who were lower in height, no matter what their other physical qualifications were, were exempted from the drawing and were enlisted as second supplementary untrained reservists.

In case the required number of those eligible for first-reserve service was unobtainable from those who measured 1.6 metres or above, the standard height was to be lowered by one millimetre at a time until the quota was filled. It may be seen that according to this method of lowering the standard height for eligibles before the final drawing took place, it was possible for a certain number of those under the standard height to be selected instead of those who measured 1.6 metres or above.

To prevent this, the new Law provides for a new method to be adopted wherein the supplementary eligibles are not allowed to draw lots with the originally eligible men measuring 1.6

metres or more.

**Revised Method of Calling Ex-service Men for Training** Ex-service men must be called out for training regularly to be instructed in new kinds of drills in order to keep them competent as well-trained reservists. The following revisions were made in the method of calling out ex-service men for periodical training.

1. According to old provisions, the duration of training for ex-service men was fixed at less than 35 days for the Army and less than 70 days for the Navy, while the latter could be increased up to 50 days when deemed necessary. The new regulation extends this lengthening privilege to the Army also in view of the necessity of drilling army ex-service men in the advanced and more complex technique of present-day military science.

2. Formerly, first supplementary untrained reservists only were called out for actual training. Now, second supplementary untrained reservists may also be called out for this purpose.

3. Formerly, when there was a shortage in forces even with the recalling of all those under leave of absence at the time of special need, such as the stationing of garrisons, only those ex-soldiers who were in the first year of their first-reserve service were summoned to cover the shortage. But the actual conditions on the Asiatic Continent are now such that a considerable number of soldiers must be stationed in different districts, and the number of ex-service men resident on the Continent is relatively small. It is considered that a time may come when the armies on the Continent supplemented only with recruits from the first-reserve service men in their first year of service will be altogether insufficient for garrisons or for other military purposes. To eliminate this danger, the new provisions empower the Army to call out when necessary all men in the first reserve list, regardless of the year of service they are in.

4. Conscripts may be found non-effective at the time of medical examination on their entrance to the barracks to which they are assigned, as a result of suffering disease or accident in the interval between enrolment and the actual call to service. According to the old provisions, these men were exempted from service altogether. The revised provisions prescribe that "They shall be

called to active service at a later date or year, or may be exempted from it." The proper application of this provision is left to the judgment of competent authorities.

**Abrogation of the Short-term Service System** The short-term service system for teachers in elementary schools is peculiar to Japanese conscription. The reason for the survival of this system through all former revisions in the military service law may be found in the fact that the Government was anxious not to weaken the teaching force in elementary schools by the absence of teachers from their duties even for purposes of national defence. The short-term system allowed these teachers to remain only five months in active service and this period was devoted to making them acquire a knowledge of military affairs so that they could accomplish their duty as educators of the people both in scientific and military subjects. The system worked well as a result of the complete understanding between the military and educational authorities.

But times have changed and the five-month service is now all too short to provide teachers with a comprehensive knowledge of military affairs to the extent that they may give proper instruction on military subjects in their schools. Simultaneously, their influence on pupils and communities will be greatly increased with a knowledge of military affairs acquired by entering the full service with other members of the nation or by going to the front when so destined. Under such considerations, the short-term service system is abrogated entirely, although investigations are being made by competent authorities not to cause any material harm to the education of the younger generation by this sudden change.

Hitherto, those entitled to the short-term service entered the service without drawing lots or passing the conscription medical examination. Now, they are handled in the same manner as all other young men as regards physical standards and methods of selection.

**Revisions in Postponement of Student Conscription** The medical examination and enrolment of students who reach the age of twenty has been postponed for as many years as they pursue their studies in schools and consequently many are much older than other young men at the time of their examination and enrolment, whereas their earlier en-

rolment is desirable since most of them may become important constituents of the army as reserve or non-commissioned officers.

The revised system, therefore, places a certain limit to the term of postponement, shortening it by an extent that will not deter their studies in schools, yet that will amend the irrationality which formerly arose by the application

of rules under which they were conscripted according to certain fixed ages, regardless of the month of their birth or the number of years they needed to complete their respective studies. A comparison of the new and old regulations concerning the maximum years of age up to which conscription is postponed follows:

Students in:	OLD SYSTEM		
	Maximum Year of Age (at which they are subjected to examination)		
Middle Schools Higher Schools, Middle-school Departments Business Schools (Middle-school Grade)	}	22	
Normal Schools Higher Schools, College Departments and Special Courses		}	25
Universities, Preparatory Departments College of Three or Four Years Higher Normal Schools (Post-graduate Course omitted) Temporary Institutes for Training Business Schools or Young People's Teachers' Schools			}
Colleges of Five Years or More Higher Normal Schools, Post-graduate Courses Universities	}		
Students in:		NEW SYSTEM	
		Maximum Year of Age (up to which conscription may be postponed) Those who were born	
	Before or on April 1	On or after April 2	
Middle Schools Higher Schools, Middle-school Departments Business Schools (Middle-school Grade)	—	21	
Normal Schools Higher Schools, College Departments Universities, Preparatory Departments Institutes for Training Young People's School Teachers	22	23	
Temporary Institutes for Training Teachers Institutes for Training Business School Teachers	23	24	
Higher Schools, Special Courses Colleges of Three or Four Years Higher Normal Schools (Post-graduate Course omitted)	24	25	
Colleges of Five Years or More Higher Normal Schools, Post-graduate Courses	24	25	
Universities (Medical Department omitted) Universities, Medical Department	25	26	

Furthermore, a new provision is added to the new system according to which all students in the above-mentioned schools may be conscripted in time of emergency even before the expiration of the term of postponement so that they may take part in the defence of their country.

These new rules came into force as from December 1, 1939. Those who attended schools on that day remained under the old rules so as not to interfere with their studies.

**Extension of Privilege of Postponement of Conscription to Japanese Students Abroad** Japan is eager to assist Manchoukuo in her efforts to develop her national life and to give her all aid in such matters as educational enterprises which are most important in the mutual development of the two countries. Thus, the Japanese Government has extended the application of the system for the postponement of conscription for students to Japanese subjects studying in the government schools of Manchoukuo whose grades of study and school status are analogous to the above-mentioned schools in Japan.

#### Contributions by the People

As of February 11, 1940 the round

figures for money and tangible objects contributed to the Army and Navy by the people since the beginning of the China Affair stood at ¥100,499,000 for the Army and ¥42,720,000 for the Navy.

The sum for the Army included national defence donation of ¥54,785,000, 89,519 articles given for national defence (estimated to be worth ¥4,989,000), ¥28,000,000 as fund for soldiers' aid, 8,550,000 articles to make soldiers' comfort kits and ¥3,575,000 as scholarships. With the defence donation were built 298 flying machines, 140 tanks and armoured cars, 259 anti-aircraft guns, 70 light machine guns, 675 heavy machine guns, 66 searchlights and 144 acoustic detectors among other things.

The Navy received ¥27,330,000 in defence fund, ¥10,550,000 for soldiers' aid, ¥1,270,000 as scholarships for academic and technical purposes and 3,300,000 articles to comfort the marines, that are estimated at a value of ¥3,570,000. The defence contribution was spent to construct 352 planes and well over 3,000 pieces of various arms.

Note:—Yearly expenditures and budgets for defense service are mentioned in Chapter VIII, Public Finance.

### THE NATIONAL GENERAL MOBILIZATION LAW

(Law No. 55, 1939, Promulgated on April 1, 1939, and Effective as from May 5, 1939, by Imperial Ordinance No. 315)

#### ARTICLE 1

National General Mobilization as mentioned in this Law means control and employment of man-power and material resources for the highest and most efficient development of the total power of the state in time of war (including, as hereinafter understood, an incident similar to a war), to the end of achievement of defence objectives.

#### ARTICLE 2

The material resources mentioned in this Law mean the following:

- (1) Arms, war vessels, ammunition, and other materials for military use;
- (2) Clothing, foodstuffs, beverages, and feed supply necessary for national general mobilization;
- (3) Medicines and pharmaceuticals, medical and surgical machinery and instruments, other hygienic materials, and

materials for veterinary hygiene necessary for national general mobilization;

(4) Shipping, aircraft, vehicles, horses and other transportation and conveyance materials necessary for national general mobilization;

(5) Communication materials necessary for national general mobilization;

(6) Civil engineering and lighting materials necessary for national general mobilization;

(7) Fuel and electric power necessary for national general mobilization;

(8) Raw materials, materials, machinery, apparatus, equipment, other materials necessary for production, repair, distribution and preservation of what are mentioned in the preceding numbers;

(9) Materials other than those mentioned in the preceding numbers and to be specified by Imperial Ordinance as

necessary for national general mobilization.

#### ARTICLE 3

The general mobilization services mentioned in this Ordinance mean the following:

(1) Services concerning production, repair, distribution, export, import, or custody of materials for general mobilization;

(2) Services concerning transportation and communications necessary for national general mobilization;

(3) Services concerning finances necessary for national general mobilization;

(4) Services concerning sanitation, veterinary hygiene, or relief necessary for national general mobilization;

(5) Services concerning education and training necessary for national general mobilization;

(6) Services concerning experiments and research necessary for national general mobilization;

(7) Services concerning information, enlightenment and propaganda necessary for national general mobilization;

(8) Services concerning defence necessary for national general mobilization;

(9) Services other than those mentioned in the preceding numbers and to be specified by Imperial Ordinances as necessary for national general mobilization.

#### ARTICLE 4

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, press into service subjects of the Empire and cause them to engage in general mobilization services; provided, however, that this shall not interfere with the application of the conscription law.

#### ARTICLE 5

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, cause subjects of the Empire, juridical persons under the law of the Empire, or any other organization to cooperate with the general mobilization services to be conducted by the state or by local organizations.

#### ARTICLE 6

If necessary for national general mobilization in time of war, the Govern-

ment may, as prescribed by Imperial Ordinance, give necessary orders, with respect to the use, employment or dismissal of workers or with respect to wages and other conditions of labor.

#### ARTICLE 7

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to prevention or settlement of labor disputes, or with respect to the closing of workshops, suspension of labor, or restriction or prohibition of other acts relating to labor disputes.

#### ARTICLE 8

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to production, repairing, distribution, transfer, other ways of disposal, use, consumption, possession, or removal of general mobilization materials.

#### ARTICLE 9

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, restrict or prevent export or import, order export or import, impose export or import duties, or increase, reduce, or remit export or import duties.

#### ARTICLE 10

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, use or expropriate general mobilization materials.

#### ARTICLE 11

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, make restriction or prohibition, with respect to establishment of corporations, increase mergers, alteration of objects of capital, issuance of debentures, or second and subsequent calls for payment on unpaid shares; or give necessary orders with respect to disposal of profits, provisions against depreciation, or other financial matters of corporations, or issue necessary orders concerning the operation of capital to banks, trust companies, insurance companies, or others to be designated by Imperial Ordinance.

#### ARTICLE 12

If necessary for national general mobilization in time of war, the Government, with respect to invitation of subscriptions for debentures or to an increase of capital with the object of applying to the expense of equipment for the operations of companies engaged in undertakings which are general mobilization services, may provide separate regulations, the provisions of Article 200 or Article 210 of the Commercial Code notwithstanding.

#### ARTICLE 13

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, with respect to factories, workshops or other establishments belonging to undertakings which are general mobilization services, or with respect to the whole or part of the establishments which may be used therefor, may supervise their operation, or use or expropriate them.

In case what is mentioned in the preceding paragraph is to be used or expropriated, the Government may, as prescribed by Imperial Ordinance, cause employees thereof to offer their services, or put into operation the patented devices or registered utility designs at present operated at the same establishment.

If necessary for national general mobilization the Government may, as prescribed by Imperial Ordinance, use or expropriate land, houses or other structures necessary for general mobilization services.

#### ARTICLE 14

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, use or expropriate mining rights, placer mining rights, or rights concerning the use of water.

#### ARTICLE 15

In case what was expropriated as provided for in the preceding two Articles has fallen into desuetude and is to be disposed of by the Government within a period of 10 (ten) years from the time of expiration, its former proprietor, its former titleholder or his successor, according to the provisions of Imperial Ordinance, may have the priority right of buying the same.

#### ARTICLE 16

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, restrict or prohibit new installations, extensions or improvements of equipments belonging to enterprises, or may order new installations, extensions or improvements of equipments belonging to enterprises which are general mobilization services.

#### ARTICLE 17

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, cause applications to be made for the establishment, alteration or cancellation of control agreements between or among the owners of enterprises of the same kind or those of different kinds, which are general mobilization services, or may order the establishment, alteration or cancellation of control agreements, or may order the owners of enterprises who are not parties to control agreements to conform therewith.

#### ARTICLE 18

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, order owners of enterprises of the same kind or those of different kinds, which are general mobilization services, to establish associations with the object of controlling said enterprises.

The association mentioned in the preceding paragraph shall be a juridical person.

If any person who has been ordered to establish (an association) as provided for in paragraph 1, fails to do so, the Government may take necessary procedures with respect to the drafting of the articles of incorporation and otherwise concerning the establishment of the association.

When the association of paragraph 1 has been formed and established, the Government may, as prescribed by Imperial Ordinance, cause those who are qualified to become members thereof.

The Government may cause the association mentioned in paragraph 1 to apply for permission for the establishment or alteration of control regulations concerning the businesses of its members, or may order the establishment or alteration of control regulations, or may order the members to conform with the control regulations of their association.



Necessary matters relating to the association mentioned in paragraph 1 shall be determined by Imperial Ordinance.

#### ARTICLE 19

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to prices, transportation charges, storage fees, insurance premiums, rentals, and processing costs.

#### ARTICLE 20

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, restrict or prohibit what is printed in newspapers or other publications.

The Government may prohibit the sale or distribution, or make seizure, of newspapers or other publications that have contravened the restriction or prohibition of the preceding paragraph and interfere with the national general mobilization. In such cases the original type-forms being seizable.

#### ARTICLE 21

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, cause subjects of the Empire and those who employ or use subjects of the Empire to send in statements concerning occupational abilities of subjects of the Empire.

#### ARTICLE 22

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, give to the administrators of schools, training institutes, factories, workshops and other establishments suitable for training of skilled workers, or employers of those who are to be so trained, necessary orders concerning the training of skilled workers necessary for national general mobilization.

#### ARTICLE 23

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, cause those who are engaged in production, sale or import of national general mobilization materials to store certain numbers or quantities of such materials or what is used as raw material or other-

wise for their making.

#### ARTICLE 24

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, cause owners of businesses which are general mobilization services, or those who are in time of war to engage in general mobilization services, to set up plans concerning general mobilization services to be enforced in time of war or go through exercises according to said plans.

#### ARTICLE 25

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, order those who are engaged in production or repairing of general mobilization materials, or the administrators of experimental or research organs to conduct experiments or research.

#### ARTICLE 26

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, guarantee or grant subsidies within limits of the budget to those who engage in production or repairing of general mobilization materials; and in these cases the Government may cause such persons to produce or repair general mobilization materials or cause them to provide equipment necessary for national general mobilization.

#### ARTICLE 27

The Government, as prescribed by Imperial Ordinance, will indemnify the losses incurred from disposals made in accordance with the provisions of Article 8, Article 10, Article 13, or Article 14; from orders of export or import in accordance with the provisions of Article 9; from financial operations, undertaking, or sales of securities made according to the provisions of Article 11; or from orders for new installation, extension or improvement of equipment according to the provisions of Article 16.

#### ARTICLE 28

In case orders are to be given in accordance with the provisions of Article 22, Article 23, or Article 25, the Government may, as prescribed by Imperial Ordinance, indemnify the losses resulting therefrom or grant subsidies.

#### ARTICLE 29

The amounts of reparation according to the provisions of the preceding two Articles and the values at which disposals are to be made according to the provisions of Article 15, are to be determined by the Government after its consultation with the Commission on General Mobilization Reparation.

The rules governing the Commission on General Mobilization Reparation shall be determined by Imperial Ordinance.

#### ARTICLE 30

The Government may supervise the undertakings which, according to the provisions of Article 26 or Article 28, are guaranteed profits or granted subsidies, or may give orders or take procedure necessary thereanent.

#### ARTICLE 31

If necessary for national general mobilization, the Government may, as prescribed by Ordinance, call for reports, or cause competent officials to visit and inspect necessary places and look into conditions of business or other matters thereof.

#### ARTICLE 32

Any person who, in contravention of the order provided in Article 9, has exported or imported, or intends to export or import, shall be punished with penal servitude not exceeding three years or a fine of not more than 10,000 (ten thousand) yen.

In the cases mentioned in the preceding paragraph, that which has been exported or imported, or is intended for export or import, may be confiscated so far as it is owned or possessed by the offender and, when all or part of it has failed to be confiscated, the value thereof may be collected additionally.

#### ARTICLE 33

Any person who comes within any of the following numbers shall be punished with penal servitude not exceeding three years or a fine of not more than 5,000 (five thousand) yen:

(1) Those who have contravened orders issued according to the provisions of Article 7;

(2) Those who have contravened orders issued according to the provisions of Article 8;

(3) Those who, in contravention of the provisions of Article 9, fail to export or import;

(4) Those who have refused, impeded or evaded the use of, or the expropriation of, general mobilization materials, as provided for in Article 10;

(5) Those who have refused, impeded or evaded the administration, use or expropriation of equipment, land or establishments, or the use of employees thereof, provided for in Article 13;

(6) Those who have contravened orders given according to the provisions of Article 19.

#### ARTICLE 34

Persons coming within any of the following numbers shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 3,000 (three thousand) yen:

(1) Those who have contravened the restriction, prohibition, or order enforced according to the provisions of Article 11;

(2) Those who have contravened the restriction, prohibition, or order enforced according to the provisions of Article 16;

(3) Those who, in contravention of the provisions of Article 17 or Article 18, have without permission established, altered or abolished control agreements or control regulations, or have contravened the order given according to the provisions of paragraph 4, Article 18;

(4) Those who have failed to lay in stores in contravention of the order given according to the provisions of Article 23;

(5) Those who, in contravention of the provisions of Article 26, have failed to produce, repair or provide equipment.

#### ARTICLE 35

Those who have committed any of the offences mentioned in the preceding three Articles may, according to circumstances, be punished with both penal servitude and fines.

#### ARTICLE 36

Persons coming within any of the following numbers shall be punished with penal servitude not exceeding 1 (one) year or a fine of not more than 1,000 (one thousand) yen:

(1) Those who refuse to comply with the expropriation made according to the provisions of Article 4 or fail to engage in the services provided in said Article;

(2) Those who have violated orders based on provisions of Article 6.

#### ARTICLE 37

Those who come within any of the following numbers shall be punished with a fine of not more than 3,000 (three thousand) yen:

(1) Those who have contravened orders given according to the provisions of Article 22;

(2) Those who, in contravention of Article 24, fail to set up plans or go through exercises;

(3) Those who, in contravention of the provisions of Article 25, fail to conduct experiments or research.

#### ARTICLE 38

Those who come within any of the following numbers shall be punished with a fine of not more than 1,000 (one thousand) yen:

(1) Those who, in contravention of an order given according to the provisions of paragraph 1, Article 18, fail to establish associations;

(2) Those who have contravened the order given, or the proceedings taken, according to the provisions of Article 32;

(3) Those who have failed to report as provided for in Article 32 or have made false reports.

#### ARTICLE 39

In case the restriction or prohibition made according to the provisions of paragraph 1, Article 20, has been contravened, the publisher or the registered editor, in the case of a newspaper, and the publisher and the author, in the cases of other publications, shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 2,000 (two thousand) yen.

In the cases of newspapers, those who have been in charge of editing, or those who had their articles published with their signatures, shall also be punished as provided for in the preceding paragraph.

#### ARTICLE 40

Any person who has interfered with the seizure made according to the provisions of paragraph 2, Article 20, shall be punished with penal servitude or imprisonment not exceeding 6 (six) months or with a fine of not more than 500 (five hundred) yen.

#### ARTICLE 41

The provisions governing the concurrent offences of the Penal Code shall not apply to the offences mentioned in the preceding two Articles.

#### ARTICLE 42

Those who have refused, impeded or evaded the inspection made by competent officials according to the provisions of Article 31, shall be punished with penal servitude not exceeding 6 (six) months or a fine of not more than 500 (five hundred) yen.

#### ARTICLE 43

Any person who, in contravention of the provisions of Article 21, has failed to send in the statement, or refused, impeded, or evaded the inspection, shall be punished with a fine not exceeding 50 (fifty) yen, retention, or a nominal fine.

#### ARTICLE 44

If any person engaged in general mobilization service has disclosed, or made secret use of, any of the secrets designated by the Government office concerned, he shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 2,000 (two thousand) yen.

If any one who is, or formerly was, in Government service, has committed the offences mentioned in the preceding paragraph, he shall be punished with penal servitude not exceeding 5 (five) years.

#### ARTICLE 45

If a person who is, or formerly was, in public service, has disclosed, or made secret use of, secrets of the business of an individual or a juridical person that he learned through his performance of duties according to the provisions of this Law, he shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 2,000 (two thousand) yen.

#### ARTICLE 46

If an officer of an association established according to the provisions of paragraph 1, Article 18, in connection with his duties, has accepted, demanded or promised [to receive] a bribe, he shall be punished with penal servitude not exceeding 2 (two) years, and if on the same account he has committed

a dishonest act, or failed to perform a proper act, he shall be punished with penal servitude not exceeding 5 (five) years.

The bribe taken in the case mentioned in the preceding paragraph shall be confiscated. If all or part of it is not possible to be confiscated the value thereof shall be collected additionally.

#### ARTICLE 47

Any person who has delivered, offered, or promised [to give] a bribe to a person mentioned in paragraph 1 of the preceding Article shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 500 (five hundred) yen.

If a person who has committed an offence mentioned in the preceding paragraph denounces himself, the punishment may be mitigated or remitted.

#### ARTICLE 48

In case a representative of a juridical person, a juridical person, or its agent or employee, or any person otherwise employed, has, with regard to the business of the same juridical person or an individual, committed an offence mentioned in Articles 32 to 34 inclusive, number 2 of Article 36, Article 37, Article 38, or the first part of Article 43, not only the offender shall be punished but the fines or the nominal fines mentioned under the respective articles shall be imposed on the juridical person or the individual concerned.

The provisions of the preceding paragraph shall be applied to an act com-

mitted by a representative, an agent, an employee of, or any person engaged by, a juridical person holding its head or main office in the area where this Law is in effect, the same likewise applying to an act committed outside the area in which this Law is in force, by a representative, an employee of, or any person otherwise engaged by, an individual whose residence is in the area in which this Law is in effect.

#### ARTICLE 49

The penal provisions of this Law shall be applied to a subject of the Empire who has committed an offence outside the area in which this Law is in effect.

#### ARTICLE 50

In order to respond to the consultation of the Government concerning important matters relating to this Law (excepting those relating to military secrets), a National General Mobilization Commission shall be provided.

The rules governing the National General Mobilization Commission shall be determined by Imperial Ordinance.

#### SUPPLEMENTARY PROVISIONS

The date of enforcement of this Law shall be determined by Imperial Ordinance. The Munitions Industry Mobilization Law and Law No. 88, 1936, are hereby repealed.

The order issued, or the proceedings taken, according to the Munitions Mobilization Law, prior to the enforcement of this Law shall be considered as those done in accordance with this Law.

## CHAPTER VIII PUBLIC FINANCE

### Accounts System

In the second year of Meiji, 1869, Shigenobu Okuma (later Marquis Okuma) submitted to the Government a plan calling for the establishment of an accounts system to prevent a reckless disbursement of administrative expenses. In due course, and as a result of this plan, a Ministry of Finance and a fiscal year starting with October and ending with September were instituted. When Hirobumi Ito (later Prince Ito) came home from his inspection trip to America in 1873, he offered valuable advice to the Government on the financial system and this enabled the Government to announce its estimates of accounts. This marked an important point in the accounts system of Japan as it was the prototype of the Government budget, but because of the lack of system, the budget of each Ministry was subject to change by the administrative chief. The fiscal year was changed to from April to March in 1886, and has been so observed since. The opening of the Imperial Diet in 1890 brought about a great improvement in the accounts system of Japan, for each budget has since been subject to approval, and Government income and expenditure has thus come under supervision. The Board of Audit under direct control of the Emperor was also established and to it is assigned the duty of inspecting the Government accounts. These perfected the constitutional accounts system of the Government and

at the same time the Accounts Law was promulgated in 1889 and has been enforced since April 1, 1890. This law laid the foundation of the accounts system of Japan and in 1921 it was revised from the so-called "safe" system to the "deposit" system, i.e. the depositing of Government funds in the Bank of Japan.

### Special Accounts

Special accounts for the Government's enterprises existed independently of general account, before the promulgation of the Accounts Law in 1889. Railway funds, readjustment loans, enterprise funds, hypothec funds and others were included among the special accounts, which were unified by a law issued in 1889. The number of special accounts for the 1890-91 fiscal year was 33, which increased to 61 in 1908. Yuko Hamaguchi, Finance Minister of the Kato (Takaaki) Cabinet, made a substantial readjustment of special accounts in 1925 and reduced the number to 31. Subsequently, the health insurance special accounts, the postal annuity special accounts and live-stock reinsurance special accounts were established. In 1934 government steel works was omitted and communication enterprises was put into the list instead. The number of special accounts increased to 40 by 1939 and 7 more were added in 1940, making a total of 47. Besides, there are 2 for military affairs.

### ANNUAL STATE REVENUE AND EXPENDITURE

#### Revenue

(in yen)

Year	Ordinary	Extraordinary	Total
1929-30	1,481,143,304	345,301,447	1,826,444,751
1930-31	1,422,059,549	174,912,618	1,596,972,168
1931-32	1,314,911,859	216,170,183	1,531,082,042
1932-33	1,287,038,893	758,236,675	2,045,275,568
1933-34	1,391,418,998	940,340,595	2,331,759,594
1934-35	1,342,930,935	904,050,670	2,246,981,605
1935-36	1,405,426,797	853,894,509	2,259,321,306

### STATE REVENUE AND EXPENDITURE

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Year	Ordinary	Extraordinary	Total
1936-37	1,561,469,514	810,449,008	2,372,098,612
1937-38	1,945,998,351	968,472,140	2,914,470,491
1938-39*	2,331,954,166	1,263,024,000	3,594,978,167
1939-40†	2,395,369,063	2,441,266,515	4,836,635,578
1940-41‡	3,364,417,125	2,732,914,300	6,097,331,434

#### Expenditure

Year	Ordinary	Extraordinary	Total	Surplus	
				Gross	Net
1929-30	1,212,726,860	523,590,194	1,736,317,055	90,127,696	—
1930-31	1,202,152,685	355,711,046	1,557,863,732	39,108,436	5,991,200
1931-32	1,111,824,193	365,051,071	1,476,875,265	54,206,777	19,193,075
1932-33	1,182,862,616	767,278,007	1,950,140,623	95,134,944	29,373,981
1933-34	1,313,017,990	941,644,246	2,254,662,236	77,097,358	13,653,358
1934-35	1,224,782,544	938,221,361	2,163,003,905	83,977,700	4,403,493
1935-36	1,268,992,250	937,485,683	2,206,477,933	52,843,373	1,950,750
1936-37	1,320,140,686	962,035,114	2,282,175,801	89,922,811	34,638,176
1937-38	1,409,250,592	1,299,906,890	2,709,157,483	205,313,008	84,160,507
1938-39*	1,599,505,330	1,688,523,729	3,288,029,059	306,949,107	181,712,739
1939-40†	2,747,985,581	2,772,689,043	4,882,649,781	—	—
1940-41‡	2,747,985,581	3,349,345,853	6,097,331,434	—	—

Notes:—(1) Figures are for the General Accounts only.

(2) Figures for the 1939-40 budget include those of the 3 supplementary budgets approved by the Diet in March 1940, and do not correspond with the figures given in the Japan Year Book, 1939-40.

(3) The financial year begins on April 1st and ends on March 31st.

(4) The figures for 1937-38 and the years preceding it represent the settled accounts.

(5) \* Represent the actual account on July 31, 1939.

(6) † Represent the budget.

(7) The gross surplus indicates the balance of revenue over expenditure for each financial year. Under the Budget and Account Act the surplus actually created in each financial year is transferred to the Budget of the succeeding year, and this Gross Surplus includes not only the accumulation brought forward from preceding financial years, but the net surplus actually created in that year. Accordingly, the balance of the gross and the net surplus represents a part or a total of the surplus created in the preceding year. Part of the gross surplus is applied to disbursements and deferred expenditures during the succeeding year and the balance is carried forward as a surplus to be used in succeeding financial years.

The National Loan Redemption Act as amended in 1915 required redemption of the national debt up to 1.16% of the amount outstanding at the commencement of the preceding financial year. The same Act was further amended in 1927 to require an additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one. The same Act as amended in 1932, however, provides that the amount to be applied to redemption of the national debt shall, for the time being, be over one-third of 1.16% of the total debts outstanding at the commencement of the preceding financial year, and that the additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one may be suspended.

(8) As fractions not exceeding 1 yen are omitted, the totals of the figures and the grand total do not correspond. This explanation is applicable to the following tables.

ESTIMATED STATE REVENUE AND EXPENDITURE IN DETAILS  
FOR 1938-39 AND 1939-40

Sources of Revenue	Revenue (In yen)	
	1938-39 Budget	1939-40 Budget
Ordinary:		
Taxes:	1,577,141,047	1,745,937,349
Income tax	648,679,929	802,686,759
Land tax	50,360,097	48,234,225
Business profits tax	90,477,681	112,968,247
Capital interest tax	33,129,297	42,378,440
Tax on the capital of corporations	23,600,193	27,492,857
Succession tax	36,015,151	49,401,572
Mining tax	8,238,716	8,808,593
Special tax on foreign currency securities	2,714,345	2,650,672
Tax on liquors	269,499,606	254,767,879
Table water tax	4,917,140	7,068,326
Sugar excise	136,845,171	127,356,295
Textiles consumption tax	35,192,211	43,222,053
Gasoline tax	16,156,800	11,733,216
Tax on bourses	39,256,306	27,134,863
Tax on the transfer of securities	3,424,227	2,369,163
Customs duties	175,825,497	175,195,725
Tonnage dues	3,008,680	2,468,464
Stamp receipts	100,056,184	90,732,638
Receipts from Government undertakings and properties:		
Forests	369,579,517	371,977,610
Profits of monopoly	54,974,885	70,898,001
Dividend receipts	254,050,017	241,030,029
Prisons' receipts	29,410,048	30,675,035
Other receipts from Government undertakings and properties	23,497,376	21,078,754
Receipts from the Special Account for Postal, Telegraph and Telephone Services	7,647,191	8,295,791
Payments to the Government by the Bank of Japan	81,500,000	81,500,000
Miscellaneous receipts	15,066,086	15,676,108
Transfers from Special Account of Funds for Educational Improvement and Agricultural Village Development	56,311,761	65,287,663
Total	6,755,227	6,926,813
Extraordinary:	2,206,409,822	2,378,038,181
Proceeds of sale of State property		
Miscellaneous receipts	6,921,149	7,192,619
Receipts from the issue of public loans	21,603,433	67,946,616
Local payment to expenses incurred by the State for the benefit of certain prefectures	1,008,062,080	1,727,732,727
Local contributions to expenses incurred by the State for the benefit of certain prefectures	5,165,719	7,288,481
Payments from insurance companies	9,226,809	9,049,987
Transfers from Special Accounts	3,047,607	3,352,169
	3,542,623	7,955,558

Sources of Revenue	1938-39 Budget		1939-40 Budget	
	1938-39 Budget	1939-40 Budget	1938-39 Budget	1939-40 Budget
Receipts from the special profits tax	117,090,508			297,313,037
Transfer of the surplus from the preceding year	0			84,160,507
Tax on dividends	36,637,060			43,148,719
Receipts from certain Special Accounts	6,700,000			6,700,000
Tax on interest on national bonds and company debentures	2,079,538			2,006,837
Travelling tax	7,906,098			9,243,712
Admission tax	10,334,726			8,114,740
Special admission tax	110,000			105,090
Tax on commodities	53,910,362			105,177,749
Tax on the building of houses	0			1,614,778
Tax on amusements, eating and drinking	0			32,966,020
Other receipts	23,613,190			5,436,000
Total	1,315,950,902			2,426,505,346
Total revenue	3,522,360,724			4,804,543,527
Expenditure (In yen)				
Branches of Expenditure	1938-39 Budget		1939-40 Budget	
	1938-39 Budget	1939-40 Budget	1938-39 Budget	1939-40 Budget
Ordinary:				
Imperial Household	4,500,000		4,500,000	
Foreign Affairs:				
Ministry proper	18,950,517		20,960,154	
Embassies, legations and consulates abroad	3,788,261		3,812,145	
Other expenses	14,316,612		16,305,210	
Home Affairs:				
Shinto Shrine	845,644		842,799	
Ministry proper	49,769,389		48,358,073	
Prefectures (Dō, Fu and Ken)	1,251,720		1,251,720	
Police	1,031,620		1,229,958	
Other expenses	12,035,800		12,681,931	
Finance:	28,001,417		25,765,238	
Ministry proper	7,448,832		7,429,226	
Cabinet and Privy Council	740,697,563		928,329,463	
House of Peers and House of Representatives	1,996,265		2,066,289	
Custom-houses	1,705,442		1,935,237	
Expenses for the collection of inland taxes	4,032,533		4,093,894	
Taxes returned and Exchange Loss Compensation, etc.	6,279,322		6,265,254	
Transferred to National Debt Consolidation Fund	26,538,159		28,592,130	
Funds in reserve	31,503,578		24,267,721	
Other expenses	581,798,448		763,057,021	
Army:	80,000,000		90,000,000	
Ministry proper	6,169,158		7,387,116	
Expenses for military affairs	165,848,841		215,337,720	
Other expenses	651,918		678,634	
Navy:	164,434,926		213,887,819	
Ministry proper	761,997		771,267	
Expenses for military affairs	294,093,290		292,726,665	
Other expenses	620,615		743,544	
Justice:	292,571,852		291,098,225	
	900,823		884,896	
	48,763,595		48,764,223	

Branches of Expenditure	1938-39 Budget	1939-40 Budget
Ministry proper	821,036	1,239,013
Judicial Courts and office consign- ment	20,895,294	21,664,871
Prisons	25,282,234	25,804,350
Other expenses	1,765,029	55,989
Education:	133,843,589	143,173,033
Ministry proper	2,275,988	5,299,406
Educational grants	96,836,085	98,190,838
Government educational institutes and library	32,141,383	35,360,925
Other expenses	2,590,133	4,321,864
Agriculture and Forestry:	39,086,605	44,709,979
Ministry proper	1,245,261	1,289,499
Forestry expenses	27,689,932	28,782,024
Other expenses	10,151,412	14,638,456
Commerce and Industry:	7,304,447	8,377,413
Ministry proper	1,625,730	1,779,901
Patent Bureau and Mining Inspec- tion Office	1,456,483	1,753,731
Other expenses	4,222,234	4,843,781
Communications:	200,337,451	241,694,363
Ministry proper	864,546	544,155
Pensions and Annuities	195,191,945	235,030,824
Other expenses	4,280,960	6,119,384
Overseas Affairs	2,413,782	2,703,635
Ministry proper	848,325	847,458
Other expenses	1,565,457	1,856,177
Welfare:	92,785,072	78,516,299
Ministry proper	1,007,572	1,105,084
Other expenses	91,778,500	77,411,215
Total	1,798,394,139	2,078,151,020
Extraordinary:		
Foreign Affairs	30,948,854	36,988,743
Home Affairs	235,025,841	282,987,314
Finance	420,264,607	671,596,103
Army -	400,906,845	785,065,193
Navy	386,290,061	534,025,767
Justice	3,748,810	4,267,446
Education	12,848,783	21,788,551
Agriculture and Forestry	92,844,729	129,230,249
Commerce and Industry	45,343,101	90,325,688
Communications	28,819,357	68,993,399
Overseas Affairs	28,713,937	44,709,343
Welfare	66,678,203	56,414,711
Total	1,752,433,128	2,726,392,507
Total expenditure	3,550,827,266	4,804,543,527

Note:—For comparison with the Budget for 1939-40 certain adjustments have been made in the figures of the Budget for 1938-39.

Figures for the Budget for 1939-40 are those for the General Account approved by the Imperial Diet in March 1939. The Diet passed 3 supplementary budgets for the fiscal year 1939-40 in March 1940, so that the total amount of the Budget for the same year reaches 4,836 million yen in revenue and 4,882 million yen in expenditure. See the following explanation and tables.

### State Finance During April 1938—March 1940

**State Finance in 1938-39** The Budget for the fiscal year 1938-39, with the Supplementary Budgets Nos. 1, 2, and 3, passed the Diet in the 73rd Session (December 1937 to March 1938). When including the Supplementary Budgets Nos. 1 and 2 that passed the Diet in the 74th Session (December 1938 to March 1939), the total figures for the Budget for the General Account for the fiscal year 1938-39 were as follows:

Revenue	
	Yen
Ordinary	2,206,409,822
Extraordinary	1,315,950,902
Normal revenue	307,888,822
Receipts from the issue of public loans	1,008,062,070
Total	3,522,360,742
Expenditure	
Ordinary	1,798,365,089
Extraordinary	1,752,462,178
Total	3,550,827,267

With regard to the actual results for the above estimates, Treasury Accounts give the following figures as those of Actual Revenue and Expenditure at the end of July 1939:—

Actual Revenue	
	Yen
Ordinary	2,331,954,166
Extraordinary	1,263,024,000
Normal revenue	372,235,220
Receipts from the issue of public loans	685,475,772
Transfer of sur- plus from the preceding year	205,313,008
Total	3,594,978,167

Actual Expenditure	
	Yen
Ordinary	1,599,505,330
Extraordinary	1,688,523,729
Total	3,288,029,059
Excess of revenue	306,949,107

A comparison of the actual results for the fiscal year 1938-39 with the Budget Estimates for the same year reveals that the tax receipts and normal receipts, totalling 2,704,189,386 yen, showed an increase of 189,890,742 yen over the Budget Estimates. The tax receipts (including the tax receipts as estimated in Extraordinary Revenue) amounted to 1,984,080,649 yen, representing an

increase of 178,851,310 yen over the Budget Estimates and an increase of 552,168,553 yen above the actual results for the preceding year.

As regards actual expenditure, it indicated a decline of 398,651,805 yen as against 3,686,680,805 yen which represents the totals of the Budget and the appropriations carried forward from 1937-38. This decrease of 398,651,805 yen was made up of 156,071,447 yen carried forward to the fiscal year 1939-40 and of 242,580,357 yen representing the unused part of appropriations in the fiscal year 1938-39. Under the influence of such a growth in the tax receipts and a decline in expenditure, the proceeds of loans for financing expenditure for the General Account showed during 1938-39 a decrease of 322,586,307 yen as compared with 1,008,062,080 yen of the loan programme. It may also be noted that the proceeds of loans for covering revenue deficits reached 567,928,862 yen, representing a decline of 302,545,426 yen as against 870,474,319 yen of the loan programme made for the same purpose.

As has been stated above, the excess of revenue over expenditure reached 306,949,107 yen. After, however, allowances are made for appropriations of 125,236,368 yen to be devoted to the expenditure carried forward to 1939-40, the surplus for 1938-39 is reduced to 181,712,739 yen.

**Budget for 1939-40** In the compilation of the Budget for 1939-40, every effort had to be concentrated on the accomplishment of the purposes of the China Affair. Expenditures connected with the Affair were increased as much as possible, while at the same time, retrenchment was effected in other categories of expenditure so as to apply the amounts thus obtained to the expenditure for the undertakings connected with the Affair. On the side of revenue, not only were tax increases estimated from the amendment of the Law relating to Emergency Taxes for the China Affair and the Law relating to the Special Profits Tax, but increases in the tax receipts arising out of activity in the munitions and similar industries were also estimated. If there were still revenue deficits, such were to be covered with the proceeds of public loans.

The Budgets approved by the Imperial Diet in the 74th session (December 1938

to March 1939) were made up of the principal budget and 2 supplementary budgets for the General Account, the principal budgets and 2 supplementary budgets for Special Accounts, and the Supplementary Budget for the Special Account for Emergency Military Expenditure. The sequence of the budgets for the General Account is as follows:—

## (1) The Principal Budget

	Amount in Yen
Revenue:	
Ordinary	2,372,840,769
Extraordinary	1,321,826,207
Normal revenue	428,470,206
Receipts from the issue of public loans	809,195,494
Transfer of surplus from the preceding year	84,160,507
Total	3,694,666,976
Expenditure:	
Ordinary	1,962,977,498
Extraordinary	1,731,689,478
Total	3,694,666,976

(2) The Supplementary Budget  
No. 1

Revenue:	
Ordinary	4,854,111
Extraordinary	905,689,826
Normal revenue	177,644,928
Receipts from the issue of public loans	728,044,898
Total	910,543,937

(1) SUPPLEMENTARY BUDGET FOR 1939-40  
(Published on Feb. 8, 1940)GENERAL ACCOUNT  
(In yen)Ordinary Expenditure  
Ministry of Welfare

XIV Military relief expenses	10,975,000
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(2) SUPPLEMENTARY BUDGET FOR 1939-40  
(Published on Feb. 19, 1940)GENERAL ACCOUNT  
(In yen)

## Ordinary Expenditure

Ministry of Finance	16,024,290
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	Amount in Yen
Expenditure:	
Ordinary	92,845,169
Extraordinary	817,698,768
Total	910,543,937

(3) The Supplementary Budget  
No. 2

Revenue:	
Ordinary	343,301
Extraordinary	198,989,313
Normal revenue	8,496,978
Receipts from the issue of public loans	190,492,335
Total	199,332,614

Expenditure:	
Ordinary	22,328,353
Extraordinary	177,004,261
Total	199,332,614

When these amounts are included, the total of the Budget for the General Account for 1939-40 reaches ¥4,804,543,527 both in revenue and expenditure. (For the minutes of these budgets, see the Japan Year Book, 1939-40, pp. 242-257.)

But in the 75th session (December 1939—March 1940), the Diet gave approval to 3 supplementary budgets for the General Account and 2 such ones for Special Accounts. The total amount of estimated revenue therefore reached ¥4,836,635,578 and that of estimated expenditure ¥4,882,649,781 under the General Account for 1939-40.

The 5 supplementary budgets are given below.

Ministry of	Extraordinary Expenditure	
Home Affairs		1,400,249
Education		30,000
Agriculture and Forestry		11,401,081
Welfare		183,583
Total of extraordinary expenditure		13,014,913
Grand total of expenditure		29,039,203

(3) SUPPLEMENTARY BUDGET FOR 1939-40  
(Published on March 22, 1940)

## GENERAL ACCOUNT

(In yen)

## Ordinary Revenue

III Receipts from public undertakings and State property	17,330,882
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## Extraordinary Revenue

I Sale of State property	304,134
II Miscellaneous receipts	40,432
XIII Transit-duty	1,926,000
XIX Brought forward from the balance of the previous year	12,490,603
Total of extraordinary revenue	14,761,169
Grand total of revenue	32,092,051

## Ordinary Expenditure

## Ministry of Home Affairs

VI Conscription expenses	637,152
VIII Grants to local governments for social work	269,599
Sum total	906,751

## Ministry of Justice

II Court expenses	32,500
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## Ministry of Communications

IX Annuity and Pension	3,577,439
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## Ministry of Welfare

XVI Health Insurance	293,738
Grand total of ordinary expenditure	4,810,428

## Extraordinary Expenditure

## Ministry of Foreign Affairs

XVI Aid to the Japanese community at Tientsin for relief expenses	550,000
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## Ministry of Home Affairs

I Subsidies for air defense and to local public bodies	163,825
XII Isé Grand Shrine Construction Office	21,914
XVI Special facilities for police	18,955
XXXI Travelling expenses of local disaster relief corps	15,000
XXXVIII Control of land and house rents	39,656
XXXIX Shizuoka fire relief	24,000
Sum total	283,350

## Ministry of Finance

XIX Special measures for diplomatic communications	160,000
XLIII Allowances to the North China Development Co. and the Central China Promotion Co.	2,504,566
Sum total	2,664,566

## PUBLIC FINANCE

Ministry of Justice		
		57,663
V	Extraordinary prison expenses	92,117
XIV	Special prison expenses	16,332
XV	Special measures for the price control police	46,514
XVI	Execution of amnesty	212,626
	Sum total	
Ministry of Education		
XVII	Temporary grant for paying salaries to the elementary school teachers	320,898
Ministry of Agriculture and Forestry		
I	Encouragement of agricultural enterprises	12,859,743
XIX	Re-insurance for the farm-insurance	3,113,159
XX	Economic recovery of farm-villages	3,861,996
XXI	Temporary aid for cultivation of land	4,087,893
XL	Control of the use of timber	90,415
XLI	Extraordinary measures for the distribution of provisions	4,685
	Sum total	24,017,892
Ministry of Commerce and Industry		
XII	Promotion of industries	346,991
XLI	Compensation of loss sustained by securing materials for munitions industry	4,595,461
	Sum total	4,942,452
Ministry of Welfare		
VIII	Sanitary enterprises	164,711
XXIV	Labor mobilization	86,868
XXV	Relief of local bodies afflicted by disasters	38,260
	Sum total	289,839
	Total of extraordinary expenditure	33,281,623
	Grand total of expenditure	38,092,051

Note:—Ordinal numbers correspond or supplement those in the Budget for 1939-40 given on pp. 242-256, the Japan Year Book, 1939-40.

(4) SUPPLEMENTARY BUDGET FOR 1939-40  
(Published on Feb. 19, 1940)

Special Account			
(In yen)			
	Special Account	Revenue	Expenditure
Ministry	Chosen Government-General	12,909,890	16,358,860
Overseas Affairs			

(5) SUPPLEMENTARY BUDGET FOR 1939-40  
(Published on March 22, 1940)

Special Accounts			
(In yen)			
	Special Accounts	Revenue	Expenditure
Ministry	Deposits Bureau	—	970,000
Finance	Kwantung Bureau	—	221,634
Education	Seven Imperial Universities	729,428	729,428
	Government colleges	458,154	458,154
Agriculture & Forestry	Agriculture Re-insurance	3,113,159	3,583,237

## BUDGET FOR 1940-41

Ministry	Special Accounts	Revenue	Expenditure
Railways	State Railways	72,468,000	47,752,173
Overseas Affairs	Chosen Government-General	35,525,527	35,525,527
	Taiwan Government-General	23,328,034	19,176,536
	Karafuto Government	1,299,563	1,192,566
Welfare	Health Insurance	11,661,105	1,864,327
	P.O. Annuity	27,701,017	362,347

ESTIMATED STATE REVENUE AND EXPENDITURE  
FOR 1940-41

The estimated State revenue and expenditure under the General Account for 1940-41 both reach ¥6,097,331,000, an increase of ¥1,214,681,000 or 24.8 per cent over the previous year in the case of expenditure. In comparison with the settled General Account for 1937-38, the amount is more than doubled within

but 3 years, speaking well of the nation's material efforts for the execution of the purposes of the China Affair, for the growth of the national power and for the exaltation of the national prestige. The comparison is given below in detail:—

COMPARISON OF THE SETTLED ACCOUNT FOR 1937-38 AND  
THE BUDGET FOR 1940-41

	Revenue	
Sources of Revenue	1937-38	1940-41
Ordinary:	(Settled Account)	(Budget)
	(In yen)	
Taxes:	1,329,424,552	2,589,900,599
Land tax	58,455,854	4,107,595
Income tax	478,488,241	1,199,729,966
Business tax	1,220	—
Business profits tax	91,260,674	50,032,417
Capital interest tax	27,298,314	5,612,826
Tax on the capital of corporations	9,355,104	16,946,252
Succession tax	35,852,816	65,343,171
Mining tax	7,445,919	7,610,021
Special tax on foreign currency securities	2,774,033	12,357,424
Tax on the issue on bank notes	104,930	—
Tax on liquors	241,460,003	262,892,355
Table water tax	4,735,677	10,805,939
Sugar excise	95,229,152	156,379,465
Textiles consumption tax	38,940,033	71,293,938
Gasoline tax	17,334,058	19,423,153
Tax on bourses	30,102,664	28,101,892
Tax on the transfer of securities	2,854,480	2,559,262
Customs duties	184,963,533	159,354,842
Tonnage dues	2,767,843	2,719,885
Stamp receipts	93,284,310	107,088,678
Receipts from Government undertakings and properties	367,211,798	453,998,437
Receipts from the Special Account for communications	81,000,000	81,500,000
Payment to the Government by the Bank of Japan	9,671,901	27,425,895
Transferred from Special Accounts for educational and agricultural funds	7,351,215	7,439,559
Miscellaneous receipts	58,054,575	77,763,771

## PUBLIC FINANCE

Sources of Revenue	1937-38 (Settled Account)	1940-41 (Budget)
Ordinary:		
Included in supplementary budgets	—	19,300,186
Total	1,945,998,352	3,364,417,125
Extraordinary:		
Special profits tax	102,467,543	557,463,883
Receipts from the issue of public loans	605,481,106	1,677,177,866
Brought forward from the balance of the preceding year	89,922,812	75,000,000
Total including other items and supplementary budgets	968,472,140	2,732,914,309
Grand total of revenue	2,914,470,492	6,097,331,434

## Expenditure

Branches of Expenditure	1937-38 (Settled Account)	1940-41 (Budget)
	(In yen)	
Ordinary:		
Imperial Household	4,500,000	4,500,000
Foreign Affairs	17,467,551	23,605,174
Home Affairs	45,296,183	336,860,529
Finance	456,401,295	1,097,925,183
Army	160,567,300	182,019,667
Navy	273,087,766	351,298,461
Justice	44,499,419	51,536,887
Education	133,314,972	157,127,989
Agriculture, Forestry and Fisheries	34,504,935	62,035,636
Commerce and Industry	6,503,947	9,412,964
Communications, Sea Transportation and Aviation	184,129,394	297,174,749
Overseas Affairs	2,255,669	2,950,188
Welfare	46,722,161	84,267,581
Included in supplementary budgets	—	85,276,579
Total	1,409,250,592	2,747,985,581
Extraordinary:		
Foreign Affairs	32,676,039	40,474,138
Home Affairs	226,437,623	173,954,526
Finance	57,293,723	724,311,573
Army	430,907,866	1,092,761,400
Navy	372,277,203	677,646,669
Justice	3,888,688	5,565,039
Education	12,327,213	27,540,814
Agriculture, Forestry and Fisheries	80,847,107	148,397,464
Commerce and Industry	21,894,928	80,526,525
Communications, Sea Transportation and Aviation	18,154,675	70,057,432
Overseas Affairs	29,551,788	52,893,808
Welfare	13,650,038	66,123,913
Included in supplementary budgets	—	189,092,552
Total	1,299,906,891	3,349,345,853
Grand total of expenditure	2,709,157,483	6,097,331,434

Details of the budgets for 1940-41 are given below, including the principal Budget for the General Account, 2 Supplementary Budgets for the same, the principal Budgets for Special Accounts and 2 Supplementary Budgets for the same, together with a brief explanation "State Financial Estimates for 1940-41" which

also makes mention of emergency military expenditure since 1937.

A general survey on the financial policy of the Government and the financial and economic conditions of the country in recent years may be found at the end of this chapter and Chapter X.

## BUDGET FOR 1940-1941

(In yen)

## GENERAL ACCOUNT

## Ordinary Revenue

I Taxes	Total	2,589,900,599
Income tax		1,199,729,966
Juridical person tax		264,871,342
Juridical person special tax		313,578
Land tax		4,107,595
Business profit tax		50,032,417
Capital interest tax		5,612,826
Juridical person capital tax		16,948,252
Special tax on dividend interest		20,123,899
Tax on dividends		4,251,328
Tax on the interests of public loans and corporation shares		442,144
Foreign bond special tax		12,357,424
Inheritance tax		65,343,171
Tax on building		967,348
Mining tax		7,610,021
Tax on liquors		262,892,355
Tax on soft drinks		10,805,939
Sugar excise		156,379,465
Textile consumption tax		71,293,938
Gasoline tax		19,423,153
Tax on commodities		73,790,131
Tax on eating and drinking for pleasure		112,258,508
Tax on bourses		28,101,892
Negotiable papers transfer tax		2,559,262
Transit-duty		18,827,688
Entrance tax		18,782,230
Customs duties		159,354,842
Tonnage dues		2,719,885
II Stamp receipts		107,088,678
III Receipts from public understandings and State property	Total	453,998,437
Forests		96,322,454
Monopoly Bureau		324,210,478
Printing Bureau		5,389,901
Senju Woolen Factory		5,826
Capital profit of Naval Arsenals		3,240,000
Navy Fuel Factory		336,631
Navy Explosives Factory		500,000
Rent of State property		797,216
Prisons' receipts		23,195,930
IV From Special Account for Communications		81,500,000
V From the Bank of Japan		27,425,895
VI Miscellaneous receipts	Total	77,763,771
Certificates and fees		6,016,160
Penal fees and confiscated money		3,055,775
Indemnification and forfeit		475,958
Custom houses, miscellaneous		1,773,314
Receipts anent pension		5,272,423
Allotments anent pension		2,612,901
Charges anent pension in Special Accounts		29,244,975
Receipts from privately supported boys in the Military Preparatory Schools		489,960
Receipts from Bonin Islands		3,637
Interests		170,384



	Receipts from Horse Race Association	23,839,989
	Other miscellaneous receipts	4,808,475
VII	Transferred from Special Account of funds for educational improvement and agrarian village development	7,439,559
	Total of ordinary revenue	3,345,116,939
<b>Extraordinary Revenue</b>		
I	Special profits tax	557,463,883
II	Sale of State property	Total 8,937,838
	Lands	300,000
	Goods	8,430,935
	Live-stock	206,903
III	Payments by public bodies for public works	Total 7,548,473
	River improvement	3,312,784
	Harbor improvement	4,235,689
IV	Shares assumed by public bodies for local public works	Total 11,957,191
	Improvement in the Grand Shrine of Isé	19,771
	River improvement	6,053,458
	Harbor equipments	1,754,813
	Coast improvement	66,000
	Road improvement	4,063,149
V	Receipts for encouragement of scholarly researches	Total 25,000
	Imperial donation	10,000
	Contributions	15,000
VI	Transfers from Special Accounts	Total 8,071,859
	From	
	State Property Readjustment Fund	2,187,801
	Capital section, Mint Bureau	1,500,000
	Printing Bureau	78,000
	Governmental universities	200,000
	School and library funds	1,750,000
	Communications works	349,438
	Health Insurance	450,000
	Post Office Life Insurance	1,582,620
VII	Payment by insurance companies	3,352,169
VIII	Receipts anent the Loss Redemption Law	Total 3,888,110
	From	
	Special Banks	200,110
	Exporters	1,675,000
	Banks which made loans to exporters	1,309,000
	Banks which made loans to manufacturers of export goods	704,000
IX	Receipts from Special Accounts for General Account	Total 6,700,000
	From	
	Deposits Bureau, Ministry of Finance	6,000,000
	South Seas Government	700,000
X	Miscellaneous receipts	Total 123,722,975
	Transferred from the Special Fund for Cultural Work for China	1,000,000
	Repayments of advances per the Earthquake Note Settlement Law	4,026,801
	Contribution to the national loan reimbursement fund	5,000
	Transfer from semi-governmental special accounts	100,000,000
	Transfer from the Special Accounts of Gold Fund	13,080,292
	Receipts from private forestry works in trust	5,000
	Receipts from the S.M.R. Co.	1,475,971
	From building and repairing works in trust	770,569

	Contributions for the construction of the Kogakkan University	50,000
	Share of the sales proceeds of seal furs	157,554
	Receipts from the Nippon Iron Foundry	2,314,037
	Paid in by the 2600th Anniversary Celebration Association	27,970
	Money paid back	710,341
	From investigations in trust	99,440
XI	Loans	Total 1,677,177,866
	Earthquake loans and conversions	2,515,270
	Road loans and conversions	13,669,564
	Revenue deficiency loans and conversions	1,654,993,032
XII	Brought forward from the balance of the previous year	Total 75,000,000
	Total of extraordinary revenue	2,477,845,364
	Grand total of revenue	5,822,962,303

## Ordinary Expenditure

I	Imperial Household	4,500,000
	Ministry of Foreign Affairs	
I	Ministry proper	Total 4,602,612
	Salaries	767,959
	Office expenses	1,146,355
	Salaries of foreigners	35,400
	Telegrams	569,005
	Entertainments	2,000
	International allotments	14,783
	Students abroad	184,877
	Special services	1,882,233
II	Offices abroad	Total 18,401,860
	Shrine expenses	600
	Salaries	6,892,176
	Office expenses	5,396,336
	Travelling expenses	2,866,787
	Salaries of foreigners	40,849
	Law court and registering expenses	66,524
	Detention expenses	199,382
	Land and house rent	1,463,850
	Telegrams	1,093,218
	Entertainments	382,138
III	Protection of resident Japanese abroad	Total 486,248
	Salaries	105,760
	Office expenses	380,488
IV	Miscellaneous expenses	114,454
	Sum total	23,605,174

## Ministry of Home Affairs

I	Isé Grand Shrine	230,000
II	Other State shrines	Total 1,050,067
III	Ministry proper	Total 1,444,729
	Salaries	574,358
	Office expenses	837,236
	International allotments	1,853
	Special services	31,282
IV	Shrine Board	Total 213,893
	Salaries	77,744
	Office expenses	136,149
V	Police Training Institute	Total 30,045
	Salaries	15,198
	Office expenses	14,847

	Total	14,515,974
VI Prefectural offices		9,593,035
Salaries		4,679,404
Office expenses		79,105
Imperial attendance		63,167
Bonin Islands		19,214
Police for the Seven Islands of Izu		82,049
Special services		3,682,000
VII Conscription expenses		38,202,487
VIII Joint payment for police expenses		
IX Transfer to the Special Account for Allowance to Prefectural Offices from Tax Income		277,355,620
		135,714
X Miscellaneous expenses		336,860,529
Sum total		

## Ministry of Finance

	Total	2,256,828
I Ministry proper		851,653
Salaries		1,371,819
Office expenses		1,062
International allotments		23,294
Tariff investigation committee		9,000
Special services		
II Cabinet expenses	Total	1,845,091
Salaries		413,341
Office expenses		936,156
Rewards		141,123
Examination for high officials		52,440
Punishment of officials		2,313
Official service limitation committee		2,868
Rice Self-Control Committee		6,300
Committee for the Investigation of the Control of Transportation Enterprises		18,000
National Mobilization Commission		27,000
National Mobilization Compensation Committee		18,000
Contribution to the International Statistics Association		1,000
Special services		226,550
III Privy Council expenses	Total	203,233
Salaries		181,430
Office expenses		21,803
IV House of Peers	Total	1,794,756
Expenses for members		1,167,269
Salaries		164,224
Office expenses		462,613
International Commercial Convention		650
V House of Representatives	Total	2,096,272
Expenses for members		1,286,404
Salaries		185,669
Office expenses		616,289
Parliamentary Federation of Nations		7,910
VI Board of Audit	Total	547,524
Salaries		404,195
Office expenses		143,329
VII Court of Administrative Litigation	Total	122,888
Salaries		98,190
Office expenses		24,698
VIII Board of Planning	Total	642,751
Salaries		259,187
Office expenses		371,564
Special services		21,000
IX Bureau of Repairing and Property Overseeing	Total	108,980
Salaries		47,040

		61,940
X Office expenses		61,940
XI Custom houses	Total	6,390,610
Salaries		1,936,799
Office expenses		2,152,897
Quarantine expenses		547,413
Disposing expenses		5,718
Dividends		621,207
Allowance to the City of Hakodate		2,910
Travelling expenses		1,122,676
Special services		990
XI Tax collection houses and brewery laboratory	Total	35,002,452
Salaries		10,162,317
Office expenses		8,065,753
Committee meetings		219,708
Disposing expenses		261,475
Stamps, etc.		83,708
Aid to local public bodies		14,091,420
Aid to textile associations		664,491
Aid to brewers' associations		378,587
Allowance to eating houses' associations		1,074,993
XII Miscellaneous rebates, repayments and compensations		31,221,388
XIII Transfer to the national debt adjustment fund		923,130,417
XIV Payment to the Deposits Bureau		1,763,682
XV Miscellaneous expenses		798,311
XVI State Reserve Fund		90,000,000
Sum total		1,097,925,183

## Ministry of the Army

		Total	678,487
I Ministry proper			402,765
Salaries			275,722
Office expenses			
II Military expenses	Total	180,762,474	
Salaries		36,518,497	
Buildings and repairs		10,190,897	
Miscellaneous payments		18,647,021	
Clothes and provisions		6,492,521	
Ordnance and horses		90,252,388	
Manoeuvres		15,372,220	
Medical treatments		526,638	
For privately supported students		489,960	
Detention		60,086	
Transportation		1,889,920	
Imperial attendance		52,146	
Special services		270,180	
III Contribution to the Yasukuni Shrine		12,000	
IV Miscellaneous expenses		566,700	
Sum total		182,019,661	

## Ministry of the Navy

		Total	954,637
I Ministry proper			673,088
Salaries			281,549
Office expenses			
II Military expenses	Total	349,468,658	
Salaries		72,301,222	
Buildings and repairs		2,566,258	
Miscellaneous expenses		8,999,473	
Clothes and provisions		35,836,545	
Construction and repairs of ships		151,934,704	
Manoeuvres		911,845	
Medical treatments		1,775,011	

Naval stations and ports	1,293,331
Expenses on ships	61,875,049
Waterways	2,126,099
Educational expenses	3,209,650
Aids to sailors' families	1,262,951
Grants to the mutual aid society	5,265,111
Detention	12,109
Special services	99,300
III Miscellaneous expenses	875,166
Sum total	351,298,461

## Ministry of Justice

Total		1,477,636
I Ministry proper		393,881
Salaries		411,792
Office expenses		4,161
International allotments		508,497
Aid to protection work for ex-convicts		99,305
Judicial investigations		15,000
Aid to the Warder Training Institute		45,000
Aid to the Lawyers' Association		
II Court expenses	Total	23,655,210
Salaries		13,950,067
Office expenses		6,638,132
Judicial and registering expenses		2,562,297
Adjudication expenses		280,615
Detention		143,445
Special services		80,654
III Prison expenses	Total	26,319,666
Salaries		775,556
Office expenses		6,591,921
Detention		18,952,189
IV Miscellaneous expenses		84,375
Sum total		51,536,887

## Ministry of Education

Total		5,784,934
I Ministry proper		664,378
Salaries		869,270
Office expenses		535,365
Educational investigation and encouragement		3,000,000
Scientific investigation		274,815
Investigation on physical culture		180,500
Protection of national treasures		16,245
International allotments		87,708
Students abroad		6,250
Aeronautic commission		
Investigation and preservation of important historical places and natural monuments		39,430
Education of citizens		83,245
Training of industrial arts instructors		27,728
II Cultural Bureau	Total	529,933
Salaries		73,321
Office expenses		139,692
Investigation of spiritual culture		222,920
Aid to local bodies for thought guidance		94,000
III Meteorological observatories	Total	5,478,888
Salaries		1,177,404
Office expenses		4,223,214
Training of meteorologists		75,731
International allotments		2,539
IV Latitude observatory	Total	55,414

Salaries		29,374
Office expenses		26,040
V Common education	Total	98,861,703
National share of elementary school teachers' salaries		92,461,631
Aid to elementary education expenses		2,583,346
Aid to normal school expenses		2,803,847
Salaries of elementary school teachers called to defence services		31,167
Miscellaneous expenses		348,378
Encouragement of school attendance		500,000
Aid for sanitary facilities for elementary school teachers		
VI Business education	Total	133,334
Aid to business education expenses		648,744
Encouragement of business education		338,250
Training in navigation		5,271
Education of emigrants		269,067
VII Social education	Total	36,156
Salaries of the Young Men's School teachers		6,243,505
Training of the Y. M. S. teachers		4,981,000
Young Men's School equipment		453,200
Encouragement of the Y.M. School attendance		157,485
Aid to local Y.M. Schools		190,000
Adult education		98,700
Encouragement of local social education		32,303
Education of laborers		278,317
Aid to bodies for the education of Chosenese in Japan proper		42,500
VIII Thought guidance		10,000
IX Deaf and dumb education		123,136
X Aid to additional salaries of public school teachers for long service		165,000
XI Aid to the pension fund of private middle schools		1,213,320
XII Miscellaneous expenses		93,600
XIII Universities and libraries	Total	12,589
Imperial universities		39,911,223
Government universities		16,092,228
School and public libraries		6,845,136
Sum total		16,973,859
		159,121,989

## Ministry of Agriculture and Forestry

Total		1,319,906
I Ministry proper		
Salaries		429,169
Office expenses		488,785
International allotments		29,798
Supervision of fisheries		357,838
Qualification of breeding oxen		14,316
II Horse Bureau	Total	4,332,711
Salaries		192,364
Office expenses		234,728
Gelding		177,414
Improvement of horses		96,248
Qualification of breeding horse		194,040
Protection of horses for defence		3,437,917
III Provision Bureau	Total	286,079
Salaries		145,134
Office expenses		140,945
IV Forestry expenses	Total	37,963,861
Salaries		2,915,105
Office expenses		1,407,352

		33,641,404
	Working expenses	
V	Experimental stations	Total 2,143,806
	Salaries	488,738
	Working expenses	1,655,068
VI	Raw silk conditioning houses	Total 1,695,430
	Salaries	267,972
	Working expenses	1,427,458
VII	Farm Products Inspection Office	Total 5,610,724
	Salaries	1,066,622
	Working expenses	4,544,102
VIII	Studs and pastures	Total 5,016,490
	Salaries	184,569
	Working expenses	4,831,921
IX	Fisheries institutes	Total 487,880
	Salaries	146,902
	Working expenses	340,978
X	Subsidies	Total 2,911,827
	To	122,744
	Agricultural associations	26,496
	Experiments and lectures	2,190,835
	Creation and maintenance of landed farmers	20,664
	Fishery associations	83,283
	Prevention of silk-worm diseases	106,320
	Rice self-control	361,485
	Local expenses for taking statistics	266,922
XI	Miscellaneous expenses	62,035,636
	Sum total	

## Ministry of Commerce and Industry

		Total 1,798,893
I	Ministry proper	729,505
	Salaries	749,004
	Office expenses	15,065
	International allotments	294,305
	Weights and measures	11,014
	Geological investigation	
II	Trade Bureau	Total 697,120
	Salaries	166,472
	Office expenses	529,648
	Dumping Investigation Committee	1,000
III	Fuel Bureau	Total 388,677
	Salaries	186,593
	Office expenses	202,084
IV	Patent Bureau	Total 945,432
	Salaries	445,229
	Office expenses	500,203
V	Mine Supervision Bureau	Total 881,655
	Salaries	456,202
	Office expenses	425,453
VI	Experimental stations	Total 2,610,163
	Salaries	682,753
	Working expenses	1,927,410
VII	Inspection and directory stations	Total 1,488,159
	Salaries	519,195
	Working expenses	968,964
VIII	Subsidies	Total 559,638
	Subsidy for local expenses for taking statistics	526,128
	For the investigation of trade conditions	33,510
IX	Miscellaneous expenses	43,227
	Sum total	9,412,964

## Ministry of Communications

		Total 599,495
I	Ministry proper	314,654
	Salaries	277,959
	Office expenses	2,000
	Aid to the International Navigation Conference	4,882
	International allotments	
II	Communication expenses	Total 1,511,068
	Salaries	893,816
	Office expenses	617,252
III	Board of Electricity	Total 907,191
	Salaries	433,510
	Office expenses	473,681
IV	Electro-technical Laboratory	Total 798,324
	Salaries	198,356
	Working expenses	599,968
V	Training of Mariners	Total 265,871
	Salaries	51,854
	Working expenses	214,017
VI	Labor Exchange for Mariners	77,141
VII	Lighthouse Bureau	Total 1,547,878
	Salaries	710,274
	Working expenses	837,604
VIII	Aeronautic Bureau	Total 1,075,066
	Salaries	323,855
	Office expenses	751,211
IX	Training of aviators	Total 1,621,106
	Salaries	82,074
	Working expenses	1,539,032
X	Central Aeronautical Laboratory	Total 491,686
	Salaries	66,481
	Working expenses	425,205
XI	Annuity and Pension	Total 288,271,058
	Annuity	22,348,350
	Pension	265,922,708
XII	Miscellaneous expenses	8,854
	Sum total	297,174,749

## Ministry of Overseas Affairs

		Total 943,244
I	Ministry proper	405,500
	Salaries	436,194
	Office expenses	46,550
	Special services	55,000
	International allotments	
II	Transfer to the Special Account of Karafuto Gov- ernment from the profits of tobacco monopoly	2,001,660
III	Miscellaneous expenses	5,284
	Sum total	2,950,188

## Ministry of Welfare

		Total 1,208,248
I	Ministry proper	474,558
	Salaries	609,817
	Office expenses	116,096
	Subsidy for promotion and investigation	7,777
	International allotments	
II	Board of Insurance	Total 395,455
	Salaries	181,502
	Office expenses	213,953
III	National Correction House	Total 50,698
	Salaries	17,396
	Working expenses	33,302

IV Board of Wounded Soldiers	Total	73,385
Salaries		10,697
Office expenses		3,091
Working expenses		59,597
V Hygienic Laboratory	Total	181,269
Salaries		55,688
Working expenses		125,581
VI Scientific Research Institute of Welfare	Total	504,723
Salaries		127,013
Working expenses		377,710
VII Aliment Research Institute	Total	25,429
Salaries		10,044
Working expenses		15,385
VIII Board of Public Sanitation	Total	77,655
Salaries		19,034
Working expenses		58,621
IX National Tuberculosis Sanatoriums	Total	912,355
Salaries		112,054
Working expenses		294,285
For patients		506,016
X National Leper Asylums	Total	1,231,431
Salaries		189,591
Working expenses		399,637
For patients		642,203
XI National Laboratory for the Investigation of Population Problem	Total	139,270
Salaries		54,587
Working expenses		84,683
XII Labor Exchanges		2,997,186
XIII Qualification examinations for physicians and pharmacists	Total	27,306
Salaries		1,038
Working expenses		24,473
For patients employed		1,750
XIV Protection and relief of the Ainu		37,858
XV Military relief		54,194,025
XVI Subsidies	Total	16,058,892
To		
Local expenses		51,700
Health consultation rooms		775,500
Prevention of epidemics		4,874,586
Prevention of parasites		28,427
Insane hospitals		443,078
Juvenile protection and correction		168,955
Relief works		4,616,946
Prevention of ill-treatment of children		20,000
Mother and child protection		2,292,700
Social works		1,000,000
National health insurance associations		1,775,000
XVII State share for insurance	Total	6,095,151
Transfer to the Special Account of Insurance		2,433,294
Aid to insurance associations		3,661,857
XVIII Miscellaneous expenses		57,245
Sum total		84,267,581
Grand total of Ordinary Expenditure		2,662,709,002

## Extraordinary Expenditure

## Ministry of Foreign Affairs

I Equipments and repairs	3,383,458
II Removal of legations	90,000
III Establishment of a new legation	200,000

IV Subsidies	2,332,959
V Protection and overseeing of resident Japanese abroad	Total 8,232,636
Salaries	633,520
Office expenses	7,559,116
VI Protection and guidance of emigrants	Total 751,311
Salaries	27,766
Office expenses	129,295
Aid to emigration societies	594,250
VII Measures for the development of foreign trade	Total 1,150,923
Salaries	259,566
Office expenses	436,357
Aid to traders	340,000
VIII International cultural enterprises	1,444,808
IX Extraordinary diplomatic work	8,371,297
X Japan-Manchoukuo Economic Co-operative Committee	25,000
XI Expenses for the China Affair	11,366,911
XII Aids to the Rehabilitation of the Japanese in China	108,000
XIII Investigation of Japanese abroad	127,922
XIV Extraordinary increase of salaries	2,888,913
Sum total	40,474,138

## Ministry of Home Affairs

I Subsidies to local governments, public bodies and associations for their works and financial adjustment	20,953,894
II River improvement works	Total 31,504,867
Office expenses	1,472,625
River improvement	17,597,610
Sand banks	12,434,632
III Harbor improvement works	Total 10,667,689
Office expenses	935,074
Working expenses	9,732,615
IV Road improvement works	Total 17,732,713
Road improvement and subsidies	5,857,686
Improvement of State roads	4,980,027
Continuation of roads	6,895,000
V Aid for the improvement of smaller rivers	3,679,828
VI Aid for the improvement of local harbors	1,353,256
VII Coast improvement	500,000
VIII Aid for the improvement of public roads and city planning works	200,000
IX For the spread of anti-aircraft drill	100,000
X Improvement in Hokkaido	Total 33,356,079
Immigration	1,489,405
Forestry	11,859,018
Industry	5,593,429
Land reclamation	1,985,152
Roads and bridges	3,828,798
Special bridge building	150,000
River improvement	1,228,832
Water courses	2,990,000
Harbor construction	3,135,704
Railways in colonial districts	224,941
Railway construction	662,211
Investigations	166,029
Interest of railway public loans	42,560
XI Buildings and repairs	Total 312,932
Buildings	271,310
Repairs	41,622
XII Miscellaneous investigations	479,257

XIII	Isé Grand Shrine Construction Office	230,277
XIV	Other expenses, ditto	200,000
XV	Extraordinary expenses for shrines	1,153,400
XVI	Road improvement at Kashiwara Shrine and Unébi Imperial Tomb	6,810
XVII	Investigations on shrines and education of Shinto priests	23,088
XVIII	Special police expenses	2,546,621
XIX	General Election	59,870
XX	Promotion of public works in Loochoo Islands	660,221
XXI	Promotion of public works in Oshima county, Kagoshima	193,432
XXII	Fisheries at Bonin Islands and Seven Islands of Izu	36,897
XXIII	Temporary expenses for local governments	8,329,686
XXIV	Extraordinary aids to local finance	66,804
XXV	Aid for increasing officials in towns and villages	5,700,000
XXVI	Aid for raising fund for mutual help of officials, ditto	1,000,000
XXVII	Promotion of constitutional and local autonomous government	130,000
XXVIII	Aid for the improvement of special villages	300,000
XXIX	National General Mobilization and Spiritual Mobilization	423,240
XXX	Collection of gold to the Government	329,000
XXXI	Aid for the works of rehabilitation	300,000
XXXII	Reconstruction in a part of the area affected by earthquake	73,322
XXXIII	Aid for the prevention of tidal wave damage in Sanriku districts	76,467
XXXIV	Aid for the rehabilitation of Hakodate	160,562
XXXV	Reconstruction in Kobe damaged by flood	5,383,720
XXXVI	Temporary secretarial expenses	341,388
XXXVII	Rewards anent the China Affair	240,804
XXXVIII	Reconstruction in the districts damaged by natural calamities	Total 25,148,396
	Travelling expenses	134,100
	Aid for public works	23,115,234
	Aid for working expenses, ditto	975,913
	Aid to Hokkaido	430,649
	Aid to Akita prefecture	492,500
	Sum total	173,954,526

## Ministry of Finance

I	Buildings and repairs of ministerial offices, governmental schools, institutions and factories	25,679,245
II	Committees for investigations on various economical, educational and labor questions	7,550,961
III	Extraordinary financial and economic investigation and adjustment expenses	499,806
IV	Clerical work concerning reparations	50,617
V	Control of the production of gold	585,845
VI	Compensation of principal and interest of the 4% Chinese loan	3,852,440
VII	Advances for capitalizing shipbuilding works	2,157,221
VIII	Residues of bonds given to lords instead of their feuds	319
IX	Issuance of petty notes	3,567,000
X	Conversion of old convertible bank notes	2,000,000
XI	Special increase of salaries	120,841
XII	Extraordinary control of foreign exchange	562,497
XIII	Compilation of the financial history	13,824
XIV	Removal of the Finance Office	62,000
XV	Supplement of expenses in the Kwantung Bureau	8,792,384
XVI	Preservation of the Cabinet documents	6,959
XVII	Extraordinary examination for lawyers	5,809

XVIII	Urgent expenses for the control and utilization of natural resources	552,822
XIX	Clerical expenses for the promotion of Tohoku districts	54,628
XX	Aid to Tohoku Promotion Corporations for paying dividends	2,170,493
XXI	Office for the celebration of the 2600th Anniversary	64,752
XXII	Expenses for the celebration, ditto	350,000
XXIII	Special facilities for diplomatic communications	3,023,640
XXIV	Extraordinary clerical expenses anent pension	255,600
XXV	Rewards anent the Chinese Affair	9,026,280
XXVI	Temporary expenses in the Manchurian Bureau	30,105
XXVII	National Spiritual Mobilization	1,050,000
XXVIII	Cabinet expenses anent continental policy	26,714,802
	Salaries	4,445,489
	Office expenses	13,269,313
	Special services	9,000,000
XXIX	Cabinet expenses anent continental cultural works	17,000,000
XXX	Meteorological survey in China	463,282
XXXI	Celebration of the 50th anniversary of the promulgation of the Imperial Constitution	30,000
XXXII	Celebration of the 50th anniversary of the Imperial Diet	20,000
XXXIII	Extraordinary expenses for the Board of Audit	Total 161,572
XXXIV	Compilation of the history of the Administrative Litigation	5,120
XXXV	Promotion of National Savings	1,432,568
XXXVI	Adjustment of State property	783,114
XXXVII	Reconstruction of buildings damaged by earthquakes	300,000
XXXVIII	Extraordinary supervision of custom houses	30,120
XXXIX	Control of exports of cotton tissues	10,355
XL	Extraordinary control of foreign trade	139,384
XLI	Levy of Special Profits Tax	2,276,168
XLII	Subsidies to private economical, cultural and scientific bodies	2,857,000
XLIII	Transfer to the special Account for Military Expenses	600,000,000
	Sum total	724,311,573

## Ministry of the Army

I	Buildings and repairs	626,109
II	Completion of national defence	Total 195,854,397
	Repairs of fortresses	6,633,333
	Armaments	189,221,064
III	Grounds and buildings	608,400
IV	Land survey	260,000
V	Reconstructions in the quake-stricken districts	1,574,586
VI	Bridges, ranges, etc.	17,640,396
VII	Use of land and buildings	68,357
VIII	Map printing	444,750
IX	Temporary grants	125,690
X	Subsidies for automobile manufacture	203,252
XI	Aid to the Ex-service Men's Association	700,000
XII	Improvement of Air Corps	443,151,702
XIII	Improvement in armies	424,970,906
XIV	Special increase of salaries	781,355
XV	Repairs of barracks	125,000
XVI	Purchase of land for military airports	100,000
XVII	Equipment for conscription examination	526,500
XVIII	Transfer to the fund of the aeronautical arsenal	5,000,000
	Sum total	1,092,761,400

## PUBLIC FINANCE

## Ministry of the Navy

I Construction of ships	359,652,069	
II Equipment in ports, schools, hospitals and factories	Total 165,334,184	
Office expenses	3,070,680	
Factories	117,806,046	
Defence parties	23,850,400	
Naval stations	5,998,200	
Educational organs	13,034,258	
Hospitals	1,574,600	
III Equipment for air forces	80,891,489	
IV Equipment in ships	43,003,904	
V War materials	11,017,000	
VI Buildings and repairs	839,362	
VII Repairs in trust	770,569	
VIII Printing maps for sale	172,356	
IX Studies on machines	6,052,684	
X Temporary grants	340,040	
XI Allotment of the International Hydrographic Bureau	2,875	
XII Reinstallation of quake-damaged war-machines	200,000	
XIII Despatch of ships	680,000	
XIV Drawing weather charts, etc.	49,663	
XV Special increase of salaries	740,474	
XVI Educational armaments	2,000,000	
XVII Transfer to the Special Accounts of Arsenals	5,900,000	
Sum total	677,646,669	

## Ministry of Justice

I Investigations on laws	45,728
II Buildings and repairs	665,338
III Prevention of thought crimes	1,129,471
IV Officiating debt arbitration cases	799,303
V Extraordinary prison expenses	2,240,410
VI Law Investigation Committee	11,820
VII Improvement of judicial police	243,477
VIII Arbitration of tenant disputes and register of landed farmers	171,930
IX Judicial System Investigation Committee	13,500
X Domestic dispute arbitration	167,922
XI Extraordinary economic control	76,140
Sum total	5,565,039

## Ministry of Education

I Buildings and repairs	Total 8,364,980
Aeronautical meteorological observation facilities	12,500
Meteorological observation facilities for the North-Eastern district	118,371
Meteorological observation facilities in the south	630,000
Building of the veterinary department in forestry schools	387,800
Establishment of a technological college	4,694,500
Expansion of college buildings	919,732
Building of the Training Institute for technological teachers	107,880
Other building	562,869
Repairs	931,328
II Compilation of a history of the Imperial House system	9,900

## BUDGET FOR 1940-41

III Compilation of historical materials of the Meiji Restoration	
IV Special training of meteorologists	104,220
V Extraordinary investigations on educational method and text books	90,915
VI Special lectures	293,825
VII Special travelling expenses	172,000
VIII Subsidies to various educational and cultural bodies	17,500
IX Earthquake rehabilitation works	2,141,000
X Social education	367,362
XI Extraordinary expenses for the preservation of national treasures	36,000
XII Repair and protection of the Himeji Castle, etc.	163,669
XIII Extraordinary expenses for historical places	43,000
XIV Investigation and protection of important art productions	54,842
XV Propaganda for National Spiritual Mobilization	18,856
XVI Extraordinary expenses for common education	476,500
XVII Extraordinary education of industrial technicists	1,351,828
XVIII Education of high grade seamen	3,260,323
XIX Extraordinary expenses for the training of young men	4,500
XX Extraordinary expenses for thought guidance	350,000
XXI Improvement of school education	47,000
XXII Improvement of meteorological stations	87,000
XXIII Extraordinary expenses for health protection of elementary school teachers	57,837
XXIV Extraordinary expenses for equipment	125,000
XXV Reconstruction of elementary schools in typhoon stricken districts	189,300
XXVI Meteorological facilities	359,980
XXVII Investigation of historical places of the Emperor Jimmu and the establishment of a Historical Hall	1,169,828
XXVIII Extraordinary increase of allowances to students abroad	21,160
XXIX Works in commemoration of the 50th anniversary of the issuance of the Imperial Rescript on Education	45,288
XXX Despatch of students to the continent for temporary labor	70,000
XXXI Temporary training of teachers	865,659
XXXII Preparation for the execution of the National School system	76,946
XXXIII Extraordinary disbursement for universities and libraries	459,734
Sum total	6,644,862
	27,540,814

## Ministry of Agriculture and Forestry

I Promotion of agricultural, forestry, and fishery industries	Total 82,340,454
Improvement of agriculture	6,878,890
Cultivation of arable land	18,659,761
Forestry	10,644,536
Fisheries	6,602,127
Live-stock raising	6,244,712
Sericulture and silk	3,593,949
Horse raising	28,815,620
Exportation of agricultural products, etc.	868,359
II Inspection and control	2,661,002

III	Investigations and studies	1,842,190
IV	Economic recovery of farm-villages	10,607,214
V	Temporary aid to farm-villages	21,420,359
VI	Adjustment of arable land	443,270
VII	Control of farm-rent	278,879
VIII	Subsidies for the rice self-control	120,906
IX	Insurances on agriculture, forestry and fisheries	2,338,129
X	Prevention of live-stock plagues and noxious insects	1,184,673
XI	Aid for the rehabilitation in the areas affected by natural calamities	11,458,325
XII	Improvement of water-courses in forest land	6,511,593
XIII	Protection of forests against natural calamities	912,092
XIV	Cultivation of arable land by the State	827,020
XV	Public forestry enterprises	2,132,676
XVI	Superintending of game preserves	22,003
XVII	Protection of fur-seals	210,234
XVIII	Enforcement of the Russo-Japanese Fishery Treaty	46,283
XIX	Survey for water-course control	57,387
XX	Buildings and repairs	858,403
XXI	Promotion of Okinawa (Loochoo) Prefecture	1,464,701
XXII	Promotion of Oshima county, Kagoshima	398,163
XXIII	Grants to Tohoku prefectures where State forests are located	212,037
XXIV	Preparation for the establishment of the Nippon Fertilizer Company	25,000
XXV	Special increase in salaries	24,471
	Sum total	148,397,464

## Ministry of Commerce and Industry

	Total	16,126,922
I	Promotion of foreign trade	96,886
	Salaries	371,407
	Office expenses	10,844,629
	Subsidies	2,462,000
	Guarantees	
	Compensation of loss sustained by making loans for capital	1,344,000
	Compensation of loss sustained by making advances to the manufactures of export goods	1,008,000
	Total	19,018,607
II	For self-support of liquid fuel	179,879
	Salaries	979,496
	Working expenses	15,346,727
	Subsidies	2,509,505
	Aid for preservation of petroleum	565,702
III	Promotion of industrial arts	396,299
IV	Finance for smaller merchants and industrialists	516,117
V	Promotion of smaller commerce	631,185
VI	Promotion of smaller industries	
VII	Promotion of industries	Total 5,636,562
	Salaries	120,975
	Working expenses	852,601
	Subsidies	4,662,986
	Total	3,325,697
VIII	Promotion of mining	55,473
	Salaries	65,380
	Office expenses	3,204,844
	Subsidies	
	Total	2,251,102
IX	Promotion of iron industries	23,363
	Salaries	33,685
	Office expenses	
	Encouragement allowances	2,194,054

X	Promotion of enterprises in connection with industries	Total 9,187,191
	Aid to shipping organizations	39,200
	Encouragement of the manufacture of the home-made	
	Encouragement of home industry	9,132
	Grant to the Nippon Industrial Association	9,132
	Encouragement of the production of gold	12,000
	For the manufacture of artificial arms and legs	8,857,349
	For the execution of the Revised Metrology	20,000
	For the control of the fibre industry	8,895
	Promotion of mining and manufacturing industries to their full capacity	51,733
XI	Investigations and experiments	40,348
XII	Buildings and repairs of experimental stations	1,152,526
XIII	Extraordinary readjustment works in the Mine Inspection Bureaus	3,029,758
XIV	Examinations and dispositions at the Patent Bureau	190,594
XV	Promotion of Okinawa prefecture	461,464
XVI	Promotion of Oshima county, Kagoshima	23,940
XVII	Subsidy to the Imperial Fuel Manufacturing Company for the payment of dividend	30,072
XVIII	Disposition of extraordinary funds	2,855,813
XIX	Control of the production of gold	85,811
XX	Subsidies for the manufacture of the substitute articles	83,352
XXI	Control of prices	1,587,263
XXII	Aid to the smaller merchants and industries who were called out to defense services	1,057,475
XXIII	Temporary control of prices	641,450
XXIV	Aids for changing of profession	1,172,366
XXV	Temporary expenses for economic control	8,286,270
XXVI	Compensation of loss of the Nippon Gold Production Promotion Company	190,000
XXVII	Control of salaries and allowances	1,511,266
XXVIII	Inspection and control of the fabric goods	27,873
	Sum total	483,848
		80,526,525

## Ministry of Communications

I	Subsidies and encouragements for the sea and air transportations	Total 27,242,471
	For electric facilities	2,500
	Aid for the training and mutual aid of seamen	56,400
	Encouragement of social works for seamen	935
	Aid for employment exchange for seamen	68,869
	Aid for training, ditto	25,000
	Aid for the relief of sea disasters	30,000
	Subsidies for special facilities in ships	210,580
	Subsidies for navigation	13,396,173
	Subsidies for transportation	10,882,000
	Encouragement of aviation	1,189,837
	Subsidies for airports	1,380,177
II	Improvement in the use of electric power in farm-villages	
III	Temporary investigations on hydraulic power	113,385
IV	Temporary control of electric power	202,238
V	Secretarial expenses in the investment for electric establishments	234,560
VI	Subsidies for supplying electric power to gold mines	42,550
		2,677,489



## PUBLIC FINANCE

VII	Special studies at the Electro-technical Laboratory	329,235
VIII	Investigation on steel for shipbuilding	13,619
IX	Investigation of ships	58,169
X	Subsidies for shipbuilding	12,117,923
XI	Compensation of loss sustained by making loans for shipbuilding capital	2,160,000
XII	Compensation of damages inflicted by the China Affair on the capital of companies	145,852
XIII	Temporary control of ships	164,631
XIV	Temporary control of sea transportation	94,767
XV	Temporary training by high mariners	228,816
XVI	Registration of mariners	24,170
XVII	Temporary adjustment of seamen's salaries	26,334
XVIII	Construction of beacons	264,184
XIX	Facilities for beacons and meteorological observation	245,129
XX	Anti-aircraft facilities for beacons	399,392
XXI	Temporary training of aviators	1,773,250
XXII	Equipment for training aviators	10,757,089
XXIII	Establishment and repair of airports	2,000,896
XXIV	Examinations of aeroplanes	100,000
XXV	Facilities for safety in aviation	570,030
XXVI	Establishment of the Central Aeronautical Institute	3,595,556
XXVII	Compensation of loss in aviation	4,200,320
XXVIII	Preparation for the opening of international airways	13,238
XXIX	Buildings and repairs	80,138
XXX	Machines and tools	182,000
	Sum total	70,057,432

## Ministry of Overseas Affairs

I	Education of emigrants	99,758
II	Temporary investigation on emigration and colonization	169,611
III	Protection and encouragement of enterprise for emigration and colonization	2,477,301
IV	Emigrants to Manchoukuo	Total 35,828,657
	Guidance expenses	296,998
	Investigation on arable land	386,916
	Informations on colonies	211,850
	Training of leaders	1,124,454
	For the emigrants	2,019,615
	For group emigration of villagers	13,098,388
	For collective emigration of farmers	1,589,940
	For individual farmer emigrants	300,000
	For emigration of miners, merchants and industrialists	282,205
	For advance-parties of farmer emigrants	853,310
	Despatch of young volunteers	3,044,100
	Subsidies to such colonies	12,622,881
V	Despatch of the young for free labor	562,932
VI	The Colonization Investigation Council	15,000
VII	Subsidies to the Cotton Growers' and Sheep Raisers' Associations	714,011
VIII	National Spiritual Mobilization	10,000
IX	Temporary economic control	79,928
X	Aid to the Colonial Exhibition Hall	20,000
XI	Aid to the Chosen Government-General	12,899,567
XII	Special increase of salaries	7,023
XIII	Buildings	10,020
	Sum total	52,893,808

## BUDGET FOR 1940-41

## Ministry of Welfare

I	Subsidies to welfare enterprises, institutions and societies	4,986,860
II	Buildings and repairs	Total 808,801
	Construction of the National Tuberculosis Asylum	500,000
	Other new buildings	301,296
	Repairs	7,505
III	Investigation on medical system, adaptability, land and house rents and labor conditions	136,741
IV	National General Mobilization	3,916,791
V	National parks	63,102
VI	Improvement of the physical conditions of the young and infants	1,528,618
VII	National physical strength standardization facilities	2,165,044
VIII	Sanitary enterprises	2,836,722
IX	Prevention of epidemics	1,573,345
X	Special diseases prevention measures	50,000
XI	Cultivation of thought for the protection of children and promotion eugenic ideas	130,000
XII	Medical relief	600,000
XIII	Harmonizing special classes of the people	256,751
XIV	Local improvements	1,405,639
XV	Temporary housing work and control of land and house rents	89,476
XVI	Prevention of factory calamities and promotion of sanitary equipment in factories and mines	41,479
XVII	Temporary measure for regulating labor	508,266
XVIII	Labor Exchanges	3,064,422
XIX	Mobilization of labor	3,832,826
XX	Temporary measure for the relief of unemployment	724,114
XXI	Military relief	Total 36,902,099
	Board of Military protection	527,670
	Protection of wounded soldiers and sailors	15,690,493
	Protection of the bereaved families	1,047,596
	Consultation-rooms on military relief	1,000,000
	Subsidies for military relief works	17,076,140
	Aid for the education of the bereaved children	842,000
	Housing the officials of the wounded soldiers' sanatoriums	718,200
XXII	Promotion of Okinawa Prefecture	158,047
XXIII	National Athletic Meetings in celebration of the 2600th anniversary	300,000
XXIV	Preparation for the institution of insurance for salaried men and seamen	44,770
	Sum total	66,123,913
	Total of Extraordinary Expenditure	3,160,253,301
	Grand total of Expenditure	5,822,962,303

## PUBLIC FINANCE

## Special Accounts

(In yen)

Ministry	Special Accounts	Revenue	Expenditure
Foreign Affairs	Cultural Work for China	6,578,111	1,593,125
	Transfer to local governments from the national revenue	353,971,264	353,971,264
Home and Finance	Mint Bureau	48,382,096	13,778,022
	Mint Bureau, Fund Section	21,541,375	64,969,615
	Printing Bureau	32,858,672	27,467,771
	Monopoly Bureau	698,120,845	406,478,299
	Deposits Bureau	293,171,515	218,533,077
	Educational Fund	22,304	—
	National Debt Readjustment Fund	4,109,945,611	4,109,945,611
	National Loans	2,108,977,821	2,108,977,821
	State Property Readjustment Fund	4,673,289	2,181,801
	Educational Improvement and Farm Villages Economic Development Fund	6,696,856	7,439,559
Army	Gold Fund	57,632,001	85,443,075
	Capitalization for companies	185,811,421	185,811,421
	Kwantung Bureau	56,719,541	56,719,541
	Arsenal	1,319,352,335	1,319,352,335
	Senju Woolen Factory	13,168,031	13,162,205
	Aeronautical Arsenal	10,000,000	15,000,000
	Naval Dockyards	267,580,362	274,681,991
	Naval Explosives Factory	58,693,080	58,193,080
	Naval Fuel Depot	74,195,180	73,858,549
	Six Imperial Universities	39,271,176	39,271,176
Navy	Imperial Universities Endowment Funds	3,051,045	5,645,884
	Government Colleges	13,961,633	13,961,633
	Government Colleges Endowment Funds	3,062,323	2,410,020
	Schools and libraries	25,444,542	25,444,542
Education	Schools and libraries Endowment Funds	208,972	4,271,794
	Rice Trade Control	793,883,163	793,883,163
	Silk Price Control	9,360,992	9,360,992
	Farm Re-Insurance	2,416,451	2,416,451
	Forests Fire Insurance	377,417	377,417
	Fishing Boats Re-Insurance	680,162	680,162
	Live Stock Re-Insurance	926,270	926,270
	Communications business, funds	66,605,148	83,006,053
	Communications business, necessities	56,102,938	56,102,938
	Communications business, operation	493,478,228	457,315,427
Agriculture and Forestry	State Railways, capital account	331,520,777	355,259,654
	State Railways, necessities account	454,831,000	454,831,000
	State Railways, earnings account	1,657,153,190	1,390,132,413
Communications	Chosen Government-General	837,786,717	837,786,717
	Chosen Railways, necessities fund	117,400,890	117,400,890
	Chosen P.O. Life Insurance	32,943,977	18,504,426
	Taiwan Government-General	260,530,226	260,530,226

## BUDGET FOR 1940-41

Ministry	Special Accounts	Revenue	Expenditure
Welfare	Control of Exportation to Japan proper of the Taiwan rice	243,825,443	229,441,937
	Taiwan Government Railways, necessities fund	10,000,000	10,000,000
	Karafuto Government	57,895,419	57,645,617
	South Seas Government	13,225,810	13,225,810
	Health Insurance	55,454,629	55,454,629
	Health Insurance for Salaried Men	6,193,261	6,193,261
	Seamen's Insurance	6,514,298	1,386,631
	Labor Accident Legal Insurance	5,976,581	5,976,581
	P.O. Life Insurance	482,334,163	243,150,552
	P.O. Annuity	39,613,791	10,723,475

## SPECIAL MILITARY EXPENSES

	Revenue	Extraordinary Expenditure	Total
I War fund		4,460,000,000	
I Military expenses			
Army			2,973,000,000
Navy			737,000,000
Reserve			750,000,000

## SUPPLEMENTARY BUDGET FOR 1940-41

(Published on March 27, 1940)

General Account  
(In yen)

Revenue	
Ordinary revenue, miscellaneous	229,960
Extraordinary revenue, miscellaneous	57,454,849
Total of revenue	57,684,809
Ordinary expenditure:	
Ministry of Finance	46,208,576
Extraordinary expenditure:	
Ministry of	
Home Affairs	1,400,249
Education	90,000
Agriculture and Forestry	9,802,400
Welfare	183,584
Total of extraordinary expenditure	11,476,233
Total of expenditure	57,684,809

## SUPPLEMENTARY BUDGET FOR 1940-41

(Published on March 29, 1940)

General Account  
(In yen)

Revenue:	
Ordinary revenue, taxes and miscellaneous	19,070,226
Extraordinary revenue, miscellaneous	197,614,096
Total of revenue	216,684,322
Ordinary expenditure:	
Ministry of	
Foreign Affairs	263,280

Home Affairs	555,190
Finance	26,334,359
Army	117,982
Navy	94,440
Justice	61,258
Education	1,120,519
Agriculture and Forestry	2,172,803
Commerce and Industry	128,691
Communications	8,150,020
Overseas Affairs	2,476
Welfare	66,985
Total of ordinary expenditure	39,068,003
Extraordinary expenditure:	
Ministry of	5,033,944
Foreign Affairs	9,142,298
Home Affairs	7,577,311
Finance	147,437
Army	35,947
Navy	202,502
Justice	194,764
Education	43,708,073
Agriculture and Forestry	75,983,185
Commerce and Industry	25,459,445
Communications	81,149,552
Overseas Affairs	1,981,861
Welfare	177,616,319
Total of extraordinary expenditure	216,684,322
Total of expenditure	

## Special Accounts

Ministry	Special Account	Revenue	Expenditure
Finance	Mint Bureau	288,400	275,919
	Printing Bureau	3,316,004	2,849,888
	Deposits Bureau	1,488,090	3,717,147
	National Loan Adjustment Fund	6,766,327	6,706,327
	Loans	187,099,383	187,099,383
	Gold Fund	8,966,868	8,966,868
	Kwantung Bureau	581,114	581,114
	Imperial Universities	83,308	83,308
	Imperial Universities Endowment Funds	13,158	13,158
	Government Colleges	19,350	19,350
Agriculture & Forestry	Schools and libraries	217,380	217,380
	Rice Trade Control	79,501,747	79,501,747
	Farm Re-insurance	—	71,322
Commerce & Industry	Charcoal Trade Control	103,482,225	103,482,225
	Re-insurance for the loss insurance	82,066,527	82,066,527
Communications	Communication business, funds	346,816	346,816
	Communication business, necessities	303,558	303,558
	Communication business, operation	6,855,573	6,508,757
Railways	State Railways, capital account	—	39,600
	State Railways, necessities account	26,012	26,012
	State Railways, earnings account	—	852,534

Ministry	Special Account	Revenue	Expenditure
Overseas Affairs	Chosen Government-General	18,972,540	18,972,540
	Taiwan Government-General	8,927,336	8,927,336
	Control of Exportation to Japan proper of the Taiwan rice	—	4,488
Welfare	Karafuto Government	9,076,038	9,325,840
	South Seas Government	156,302	156,302
	P.O. Life Insurance	2,835,927	716,783

## SUPPLEMENTARY BUDGET FOR 1940-41

(Published on March 27, 1940)

## Special Accounts

(In yen)

Ministry	Special Account	Revenue	Expenditure
Finance	National Loan Adjustment Fund	46,208,576	46,208,576
	National Loans	3,730,887,787	3,730,887,787
Overseas Affairs	Chosen Government-General	9,881,855	9,881,855

## SUPPLEMENTARY BUDGET FOR 1940-41

(Published on March 27, 1940)

## Extraordinary Fund of Military Materials

Revenue	70,000,000
Expenditure	70,000,000

## An Explanation of the State Financial Estimates for 1940-41

The 75th session of the Imperial Diet passed 17 budgetary bills, including 5 bills for supplementing the 1939-40 budget, 6 bills for the 1940-41 budget, 2 bills for war expenditure and fund, and 4 bills in connection with governmental contracts outside the budget.

With the addition of supplementary estimates, the total amount of State expenditure under the General Account for the fiscal year 1939-40 (ending March 31) reached ¥4,882,649,000, instead of ¥4,804,543,000 approved by the Diet in 1939 (see, the Japan Year Book, 1939-40 p.258).

The budget for 1940-41 under the General Account reaches ¥6,097,331,000 both in revenue and expenditure, an increase of ¥1,214,681,000 over the figures for 1939-40 just mentioned. The actual State expenditure in 1931-32 was ¥1,476,000,000; it increased to ¥3,288,000,000 in 1938-39, and that for the current fiscal year, 1940-41, will reach an amount almost twice as much as that for 1938-39.

**Revenue for 1940-41** The estimated revenue under the General Account, in-

cluded in the principal and supplementary budgets, amounts to ¥6,097,331,434, as follows:

Source	Amount in
	¥1,000
Taxes	3,164,347
Stamps	107,088
Governmental undertakings and State property	456,263
Transfer from Special Accounts	261,263
Loans	1,906,542
Balance of the previous year	79,521
Others	122,304
Total	6,097,331

The income from various taxes comprises 51.9 per cent of the total revenue, and its estimated increase over the previous year amounts to ¥916,793,000, which will be derived largely from an actual increase in levies under the revised Tax Law enforced on April 1, 1940.

The money which comes to the General Account from the flotation of public loans comprises 31.3 per cent of the total revenue, showing an increase of ¥178,809,000 as compared with the previous year. But the amount of loans

to be floted in connection with the extraordinary military expenditure and for Special Accounts is decreased by ¥77,316,000 from the previous year, making the total amount of government bonds to be floted for these purposes ¥6,026,964,000 an increase of ¥101,493,000 over the previous year.

**Expenditure for 1940-41** The estimated expenditure under the General Account, included in the principal and supplementary budgets, amounts to ¥6,097,331,434, divided among the different ministries, as follows:

Ministry	Amount in ¥1,000
Imperial Household	4,500
Foreign Affairs	69,376
Home Affairs	521,912
Finance	1,902,357
Army	1,275,046
Navy	1,029,075
Justice	57,365
Education	188,068
Agriculture and Forestry	206,116
Commerce and Industry	166,051
Communications	400,841
Overseas Affairs	63,996
Welfare	152,623
Total	6,097,331

Classified according to purposes, as follows:

To be used for	Amount in ¥1,000	Percentage In the total
The Imperial Household	4,500	0.07
Defence	2,302,067	37.7
Administration	1,807,210	29.6
Flotation of loans	974,557	16.0
Subsidies	603,542	10.0
Annuity and pension	295,453	4.8
Reserve	110,000	1.8
Total	6,097,331	100.0

As revealed by the above table, the greatest percentage goes to expenses for defence services, which is 37.7 per cent of the total State expenditure. Usual yearly requirement for the Imperial Household, flotation of government bonds, annuity and pension and reserve funds, accounts for 22.7 per cent. The remaining 39.6 per cent goes to general administration and subsidies to public and private bodies. But the percentage of the money expended by the central government is actually much less than the figure because a considerable amount is to be transferred to local govern-

ments for their administration, police, education and military relief expenses, as provided by law.

**Expenditure in Special Accounts** In 1939-40 there were 42 Special Accounts, quite apart from the General Account, including 2 for extraordinary defence services. In addition to the 42 Special Accounts, 7 more are added for the year 1940-41, namely, special account for the money to be transferred to local governments from the State revenue from taxes, special account for the capitalization of semi-governmental companies, the Army Aeronautical Arsenal Fund Account, the Charcoal Distribution Control Account, the Loss Insurance State Re-insurance Account, the Salaried Men's Health Insurance Account and the Seamen's Insurance Account. The main special accounts are those of the overseas governments, the State railways and communications. Excluding the two special accounts for defence services, the aggregate amount of the estimated expenditure in the 47 Special Accounts for civil purposes reaches ¥19,288,941,000, an increase of ¥2,544,671,000 as compared with the similar amount for 40 Special Accounts in 1939-40.

**Military Expenditure** The estimated amount of money to be expended for defence services during the fiscal year under review reaches ¥6,764,121,000, as given in the following table:

Military Expenditure for 1940-41	
Army	Amount in ¥1,000
Included in the General Account	1,274,751
Included in supplementary budgets	265
Extraordinary military operations	2,973,000
Total	4,248,016
Navy	
Included in the General Account	1,028,945
Included in supplementary budgets	130
Extraordinary military operations	737,000
Total	1,766,075
Reserve fund	750,000
Sum total	6,764,121

The total amount of expenditure approved by the Imperial Diet for military operations in China since July 1932 reaches ¥16,455,076,000, including,

¥ 10,198,000	From the second reserve fund of the Government
507,208,000	Approved by the Diet, in March 1937
2,022,670,000	in September 1937
4,850,000,000	in March 1938
4,605,000,000	in March 1939
4,460,000,000	in March 1940

Japan has been engaged in international wars 5 times since the Meiji Restoration, 1868, and military expenses for each of them are given below for reference:

	Amount in ¥1,000
Sino-Japanese War, 1894-1895	200,475
Russo-Japanese War, 1904-1905	1,508,472
World War, 1914-1918	881,661
Manchurian Incident, 1931-1932	1,931,250
Present hostilities in China, 1937-	16,455,076

**New Requirements** The aggregate amount of money to be expended for new requirements responsible for the increase of the budget under the General Account by over 1,200 million yen as compared with the previous year, reaches ¥1,275,620,000, as follows:

For	Amount in ¥1,000
Army and Navy	965,448
Military relief	89,776
Expansion of productive power	114,103
Economic control	26,244
Promotion of exports	16,468
Promotion of sea transportation	11,750
Promotion of aviation	15,980
Emigration to Manchoukuo	35,848
Total	1,275,620

**Actual Amount** The total amount of estimated expenditure under the General Account is ¥6,097,331,000 and the aggregate amount under various Special Accounts ¥19,288,941,000, making a grand total of ¥25,386,272,000. But there are transfers interchanged between the General Account and the Special Accounts and among Special Accounts themselves. To get at the actual

grand total of the estimated expenditure for 1940-41 overlapping funds have to be deducted from the above figures. The aggregate amount of deductions is estimated at ¥11,411,401,000, including transfers into the special military expenses, or expenses for military operations in China, from General and Special accounts, leaving ¥13,974,870,000 as the net amount of the State expenditure for the fiscal year under review.

Including the estimated expenses for military operations in China which amount to ¥4,460,000,000, the State is going to receive and expend as much as ¥18,434,870,000 during the current fiscal year, or from April 1940 to March 1941, for different governments in the Empire and various State undertakings.

**The Six-point Rider** The Imperial Diet approved the huge budgetary bills without any amendment in March 1940. But in view of the fact that many important questions are involved in connection with the execution of the budget, the House of Representatives attached to the bill for the General Account a six-point rider which reads as follows:

(1) In executing the budget, an adjustment of materials, funds, and labor must be sought, while the best possible measures must be taken to prevent inflation.

(2) In view of the fact that not a few items are incorporated into the estimates, by taking advantage of the emergency period, stringent economy must be exercised in enforcing the budget so as to secure smooth operation of the budget so far as enterprises demanding urgent attention are concerned.

(3) In formulating a material mobilization plan for the 1940-41 fiscal year, stress must be laid on the increased production of major commodities, including iron, coal, fertilizers, and staple food-stuffs, and the generation of electric energy, so as to adjust the demand and supply of goods and to stabilize national livelihood.

(4) The Government must take adequate measures promptly to stamp out illegal transactions, the rampancy of which may be attributed to an inefficient price policy and a defective system of distribution.

(5) In enforcing wartime economy, the civil service system must be fundamentally reformed with a view to eliminating bureaucratic self-complacency and to overcoming difficulties experienced in

bureaucratic control by mobilizing men of talent from private circles.

(6) The Government must strengthen the national organization and effectively carry out administrative reforms for the sake of attaining the objectives of the China Affair.

## NATIONAL DEBTS

### Internal Loans

**Five per cent Loan** This loan was issued mainly for the construction and improvement of the Imperial Railways, the compensation for and purchase of private railways, the colonization of Chosen, Taiwan, Karafuto and Kwantung L.T., the relief of Japanese subjects suffering war losses, rewards for distinguished services during the war in 1914-15, retiring allowances in connection with both the administrative readjustment and the reduction of armaments, compensation payments resulting from the reduction of the Army and Navy, the reconstruction works in Tokyo and Yokohama necessitated by the Earthquake disaster, compensation for loss sustained by the Bank of Japan in discounting Earthquake Bills, compensation for losses sustained in the accommodation extended to banking institutions in Taiwan, various undertakings in Chosen, and other undertakings and various grants. The total issue amounted to ¥2,269,384,550; of which ¥400,440,350 has already been redeemed, and ¥1,868,935,200 was still unredeemed at the end of March 1939.

**Five per cent Loan ("Kō")** This loan was issued during 1908-09 for the purpose of meeting the purchase price of railways owned by seventeen private companies. The total issue amounted to ¥476,318,800, of which part has been redeemed, and ¥396,695,400 left unredeemed. The principal private railways in our country were purchased outright through the proceeds of this loan and were then unified into one state system.

**Four per cent Loan (1st and 2nd Series)** In order to consolidate the national debt, the Government planned the conversion into low-interest loans of the outstanding five per cent domestic loans dated before 1905, and with this end in view issued in the home market with better results than had been anticipated two series of four per cent loans amounting to ¥100,000,000 each. As all

the five per cent loan bonds previously issued were accepted in place of cash in subscriptions for the four per cent loans, such receipts amounted to ¥64,467,500 in the first issue of the four per cent loans and to ¥86,612,920 in the second. In addition to the total issue of ¥200,000,000 mentioned above, there was a loan of the first issue amounting to ¥76,220,500, which was delivered to the bond-holders in exchange for various five per cent loans.

**Four per cent Loan** In accordance with the provisions of Law No. 16 of 1933, the Government issued in December 1933, a 4 per cent Loan with a total face-value of ¥8,145,550. The object of the Loan was to deliver to the Industrial Bank of Japan those loan bonds to be appropriated for the increase, arising out of the decline in the yen exchange, in the principal and interest charges of the Industrial Bank of Japan 5 per cent Sterling Debentures which were issued in 1908 for the purpose of making advances to the Korean Government for the development of enterprises in that country. Further issues were made to the amount of ¥65,211,150 in 1934, ¥9,390,950 in 1935, and ¥20,225 in 1936 for such purposes as the purchase of raw silk given as security in the case of accommodation of funds made by banks, the purchase of private railways, compensation payments to private railways and tramways, the purchase of private camphor manufacturing factories in Taiwan, and rewards for distinguished services in the Manchurian incident. The total issues from 1933 to 1936 thus amounted to ¥82,767,875, of which ¥3,425 was redeemed and ¥82,764,450 remained outstanding at the end of the fiscal year 1938-39.

**Three and a Half per cent Loan** This loan was issued to the amount of ¥38,499,725 in 1936, ¥26,112,225 in 1937, and ¥10,049,150 in 1938 for such purposes as the purchase of raw silk given as security in the case of accommodation of funds made by banks, the development of public undertakings in Chosen, the purchase of private railways, compensation payments to private railways and tramways, and rewards for distinguished services in the Manchurian incident. Of the total issues from 1936 to 1938 amounting to ¥74,661,100, ¥2,600 was redeemed and ¥74,658,500 remained outstanding at the end of the fiscal year 1938-39.

### External Loans

**Four per cent Sterling Loan of 1899 (1st Series)** For the purpose of meeting the expenditures required for the construction of railways, improvement of the existing Government railways, construction of railways in the Hokkaido, steel manufacture, and extension of the telephone system, and in accordance with the provisions of the Railway Construction Law (Law No. 4, 1892), the Public Undertakings Loan Regulations (Law No. 59, 1896), the Hokkaido Railway Construction Law (Law No. 93, 1896), and Law No. 101, 1899, the Government issued in London in June 1899, a loan of £10,000,000 at an issue-price of £90 per £100 face-value, the principal of which is, after being left unpaid for ten years from January 1899, to be redeemed at the option of the Government by means of drawings in forty-five years.

**Five per cent Sterling Loan of 1907** For the purpose of consolidating and redeeming the six per cent Sterling Loan of £22,000,000 issued in 1904, the Government raised in March 1907, a five per cent Loan of £23,000,000 in London and Paris in accordance with the provisions of Law No. 1 of 1904, Law No. 12 of 1905, and Imperial Ordinance No. 23 of 1907. Its issue-price was £99 10s. per £100 face-value, and the principal is to be left unpaid until March 11, 1922 and thereafter to be redeemed at the option of the Government by means of drawings by March 12, 1947.

The proceeds of this loan were applied to the redemption of the six per cent Sterling Loan of £22,000,000.

**Four per cent Franc Loan of 1910** The four per cent Loan was issued in Paris in 1910 with the same object as the four per cent Loan issued at home; a portion of its proceeds was appropriated for use as fund for the redemption of domestic loan bonds which were exported abroad, and another portion for use as fund for the redemption of the five per cent loan bonds in circulation at home. The amount of issue was 450,000,000 francs, the rate of interest four per cent, payable on the 15th of May and November every year; the issue-price was 95 francs 50 centimes, and the loan to remain unredeemed for ten years, after which it is to be redeemed within fifty years.

**Four per cent Sterling Loan of 1910**

**Four and a Half per cent Exchequer Bonds** These bonds were issued in order to enable the Government to meet expenditures in connection with the Manchurian incident, the extension of the telegraph and telephone system, improvement of roads, reconstruction works necessitated by the Earthquake of 1923, construction and improvement of railways, various public undertakings in Chosen, Taiwan, Kwantung Province and Karafuto, and the covering of revenue deficits in the General Account. The total issues from 1932 to March 1933 reached ¥715,000,000.

**Four per cent Exchequer Bonds** These bonds were issued for the first time in 1933 for the same purpose as that of the Four and a Half per cent Exchequer Bonds mentioned above. The total amount of issue reached ¥3,070,424,000 during the fiscal year 1933-34 to 1935-36.

**Three and a Half per cent Exchequer Bonds** These bonds were issued to convert the 5 per cent Exchequer Bonds, to defray the expenditure in connection with the Manchurian incident, to cover revenue deficits, to finance reconstruction works necessitated by the earthquake of 1923, to improve roads, to develop public undertakings in Chosen, to construct and improve Government railways, to expand the postal, telegraph and telephone services, and to defray the expenditure for the China Affair. The issues amounted to ¥2,837,590,000 in the fiscal year 1936-37, to ¥2,230,000,000 in 1937-38, and to ¥2,030,000,000 in 1938-39, giving a total of ¥7,097,590,000. Of this, ¥3,850 was redeemed and ¥7,097,586,150 remained outstanding at the end of the fiscal year 1938-39.

**China Incident Exchequer Bonds** These bonds were issued for the purpose of defraying emergency military expenditure in connection with the China Affair. The issues reached ¥2,482,000,000 in the fiscal year 1938-39.

**China Incident Special Exchequer Bonds** These bonds, at the face value of ¥10 each, were issued for the same purpose as that of the China Incident Exchequer Bonds, and were sold through the post offices throughout the country. The issues totalled ¥18,500,000 in the fiscal year 1938-39.

(3rd Series) The four per cent Sterling Loan of 1910 was raised for the same purpose as the four per cent Loan raised at home and the four per cent Franc Loan of 1910 raised in France, and was employed as fund for the redemption of the five per cent yen Loans indorsed payable in sterling in London. The amount of issue was £11,000,000, the rate of interest four per cent, payable on the 1st of June and December, the issue-price was £95, and the loan to remain unredeemed for ten years, after which it is to be redeemed within fifty years; and as the object of the loan was the redemption of the indorsed loans above referred to, the latter loan bonds were accepted in place of cash when the former loan was subscribed for.

**South Manchuria Railway Sterling Debentures** The South Manchuria Railway Sterling Debentures of 1911 with a total face-value of £6,000,000, the liability for the service of which had been assumed by the Government, fell due on January 1, 1936, and consequently, the greater part of the Debentures was redeemed in cash, while a part was repaid by conversion into domestic loan. The Government has been further authorised by Law No. 34 of 1933 to subscribe to the shares of the Company, and instead of paying cash for the shares, to assume liability for the service of the Sterling Debentures with a total face-value of £4,000,000 issued in 1933 by the Company. Thus, the amount outstanding at the end of March 1939 was £4,000,000.

**Six and a Half per cent Gold Bonds of 1924** Partly, for the purpose of redeeming the outstanding Imperial Japanese Government 4½% Sterling Loan of the first and second series, which fell due January 15, 1925, and July 10, 1925, respectively and, partly for the purpose

of purchasing materials and supplies for reconstruction necessitated by the earthquake and fire of September 1923, loans with a total face value of 150,000,000 dollars were issued in New York in February 1924, in accordance with Art. 1 of Law No. 56, 1923 and Art. V of Law No. 6, 1906. The issue-price was 92½ dollars per 100 dollars face-value and the loan is to remain unredeemed for fifteen years, after which it is to be redeemed within fifteen years, namely, by February 1, 1939.

**Six per cent Sterling Loan of 1924** Loans with a total face-value of £25,000,000 were issued in London in February 1924, in accordance with Art. 1 of Law No. 56 promulgated in 1923 and Art. V of Law No. 6, in 1906, for the same purpose as the Six and a Half per cent Loan of 1924 issued in the United States of America. The issue-price was £87½ per £100 face-value and the loan is to remain unredeemed for fifteen years, after which it is to be redeemed within twenty years, namely, by July 10, 1939.

**Five and a Half per cent Sterling Loan of 1930** For the conversion of the Four per cent Sterling Loan of 1905, the Government issued a 5½ per cent Sterling Loan of £12,500,000 in London in May 1930 in accordance with the provisions of Law No. 6 of 1906. The issue-price was £90 per £100 face-value. The principal is to be left unpaid for ten years, after which it is to be redeemed by May 1, 1965.

**Five and a Half per cent Gold Bonds of 1930** For the conversion of the Four per cent Sterling Loan of 1905, loans with a total face-value of \$171,000,000 were issued in New York in May 1930 in accordance with Law No. 6 of 1906. The issue-price was \$90 per \$100 face-value. The loan is to remain unredeemed for ten years, after which it is to be redeemed by May 1, 1965.

#### AMOUNTS OF THE NATIONAL DEBT RAISED, REDEEMED AND OUTSTANDING

Financial Year	Internal Loans			External Loans		
	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year (In yen)	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year
1929-30	558,942,975	426,300,400	4,512,608,275	—	4,446,545	1,446,848,812
1930-31	265,608,800	301,424,775	4,476,792,300	264,463,500	232,287,852	1,479,024,400
1931-32	457,583,700	219,297,800	4,715,078,200	—	6,445,186	1,472,579,274
1932-33	1,096,744,000	148,068,225	5,663,753,975	—	82,137,698	1,390,444,577

Financial year	Amount Issued	Amount redeemed	Internal Loans			External Loans		
			Amount outstanding at the End of the Financial Year (In yen)	Amount Issued	Amount redeemed	Amount outstanding at the End of the Financial Year		
1933-34	1,066,062,000	5,375,850	6,724,440,125	39,052,000	14,895,310	1,414,598,267		
1934-35	1,063,126,950	100,056,325	7,687,510,750	—	11,654,994	1,402,943,272		
1935-36	1,051,213,500	216,284,500	8,522,439,750	—	71,082,383	1,331,860,889		
1936-37	2,871,234,275	2,136,123,075	9,257,550,950	—	14,905,642	1,316,955,247		
1937-38	2,259,517,950	12,750	11,516,973,550	—	16,671,659	1,300,283,588		
1938-39	4,548,287,025	121,975	16,065,138,600	—	20,568,758	1,279,714,830		
1939-40	5,562,935,125	—	21,628,073,725	—	21,828,378	1,257,886,452		

Financial Year	Amount Issued	Amount redeemed	Grand Total			Debt per Head	Population
			Amount outstanding at the End of the Financial Year (In yen)	Amount outstanding compared with the Preceding Year	Change		
1929-30	558,942,975	430,746,945	5,959,457,087	+	128,196,030	65.263	91,313,232
1930-31	530,072,300	533,712,627	5,955,816,760	—	3,640,327	63.716	93,473,570
1931-32	457,583,700	225,742,986	6,187,657,474	+	231,840,714	65.450	94,540,100
1932-33	1,096,744,000	230,205,923	7,054,195,552	+	866,538,078	74.409	96,093,509
1933-34	1,105,114,000	20,261,160	8,139,038,392	+	1,084,842,840	83.457	97,523,524
1934-35	1,063,126,950	111,711,319	9,090,454,022	+	951,415,630	91.818	99,004,572
1935-36	1,051,213,500	287,366,883	9,854,300,639	+	763,846,617	97.416	101,156,118
1936-37	2,871,234,275	2,151,028,717	10,574,506,197	+	720,205,557	103.809	102,187,750
1937-38	2,259,517,950	16,684,409	12,817,257,138	+	2,242,833,541	126.402	101,400,689
1938-39	4,548,287,025	20,690,733	17,344,853,430	+	4,527,596,292	169.563	102,291,306
1939-40	5,562,935,125	21,828,378	22,885,960,177	+	5,541,106,747	—	—

Note: Figures for 1939-40 are subject to future revision.

#### AMOUNT OF NATIONAL DEBTS REDEEMED OUT OF THE NATIONAL DEBT CONSOLIDATION FUND AND BY CONVERSION

Financial Year	Amount redeemed by Consolidation Fund			Amount redeemed by Conversion			Grand Total
	Internal Loans	External Loans	Total	Internal Loans	External Loans	Total	
1936-37	33,177,928	14,905,642	48,083,570	2,102,945,147	—	2,102,945,147	2,151,028,717
1937-38	12,750	16,681,659	16,684,409	—	—	—	16,684,409
1938-39	121,975	20,568,758	20,690,733	—	—	—	20,690,733

#### AMOUNT OF NATIONAL DEBTS CHARGEABLE TO THE VARIOUS ACCOUNTS

Accounts	(March 31)			
	1936	1937	1938	1939
General Account	(In yen)			
Internal loans	6,894,857,908	7,538,337,617	9,690,894,960	14,120,292,729
External loans	5,682,935,456	6,341,042,863	8,509,973,948	12,959,619,986
	1,211,922,044	1,197,294,754	1,180,921,012	1,160,672,743

## PUBLIC FINANCE

Accounts	1936	1937 (In yen)	1938	1939
Special Account for Chosen Government	509,038,362	645,191,185	592,286,214	673,968,147
Internal loans	509,038,362	546,191,185	—	—
External loans	—	—	—	—
Special Account for Taiwan Government	128,202,287	127,868,217	126,380,958	124,897,686
Internal loans	110,750,243	110,416,173	108,928,914	107,445,642
External loans	17,452,044	17,452,044	17,452,044	17,452,044
Special Account for Kwantung Government	13,226,379	11,798,817	11,645,391	14,203,374
Internal loans	13,226,379	11,798,817	11,645,391	14,203,374
External loans	—	—	—	—
Special Account for Karafuto Government	37,572,325	37,512,144	37,076,305	36,641,164
Internal loans	37,572,325	37,512,144	37,076,305	36,641,164
External loans	—	—	—	—
Special Account for South Sea Government	73,975	73,113	72,254	71,405
Internal loans	73,975	73,113	72,254	71,405
External loans	—	—	—	—
Imperial Railway Special Account	1,942,297,215	1,971,178,916	1,993,792,018	2,000,056,342
Internal loans	1,585,193,786	1,887,075,487	1,909,688,589	1,915,952,913
External loans	84,103,429	84,103,429	84,103,429	84,103,429
Special Account for Postal, Telegraph, & Telephone Services	329,032,188	341,546,188	365,109,038	374,722,083
Internal loans	310,649,221	323,441,168	347,301,935	357,235,969
External loans	18,382,967	18,105,020	17,807,103	17,486,614
Grand Total	9,854,300,639	10,574,506,197	12,817,257,138	17,344,853,430
Total internal loans	8,522,439,750	9,257,550,950	11,516,978,550	16,065,138,600
Total external loans	1,331,860,889	1,316,955,247	1,300,283,588	1,279,714,830

OUTSTANDING NATIONAL DEBTS CLASSIFIED ACCORDING  
TO THE OBJECTS FOR WHICH THEY WERE RAISED

Items	(March 31)		
	1937	1938	1939
	(In yen)		
Reorganization of public institutions:			
Feudal pensions capitalized	92,674,768	92,678,409	92,653,525
Economic undertakings:			
Railway construction	2,033,118,442	2,078,259,880	2,107,374,438
Harbor, drainage, road, steel-works, mining, telephone, etc.	327,229,198	364,855,541	388,033,424
Total	2,360,347,640	2,443,115,421	2,495,407,862
Financial adjustment:			
Administrative readjustment and limitation of armament	117,026,867	117,040,067	120,628,117
Redemption of paper money	10,008,052	10,008,018	10,005,317
Increase from conversion	442,031,636	439,658,985	435,828,738

## STATE PROPERTY

Items	1937	1937	1938	1939
Tobacco and salt monopoly		19,940,960	19,940,951	19,939,630
Total		589,607,515	586,468,021	586,401,802
Reconstruction work in districts damaged by earthquake		691,146,169	694,931,812	695,801,641
Covering of revenue deficits		2,366,237,400	2,721,701,950	3,300,984,850
Financial accommodation:				
Export bill financing, etc.		367,463,268	267,462,518	367,462,518
Liquidation of the liabilities of three banks with respect to the loan to China		126,649,661	126,649,660	126,649,660
Compensation for loss sustained by the Bank of Japan in discounting earthquake bills and remedial mea- sures, etc.		430,509,335	434,735,785	444,735,735
Total		924,613,264	928,847,963	938,847,913
Military Affairs:				
Completion of armaments		78,824,808	78,824,677	78,820,760
Wars and incidents		2,771,135,532	4,518,591,079	8,316,030,369
Total		2,849,960,340	4,597,415,756	8,394,851,129
Development of new territories:				
Taiwan		126,890,820	126,890,675	126,877,692
Chosen		531,881,140	583,879,990	671,879,875
Karafuto		35,738,231	35,738,231	35,738,231
Kwantung Leased Territory		5,408,910	5,408,910	5,408,910
Total		699,919,101	751,917,806	839,904,708
Grand Total		10,574,506,197	12,817,257,138	17,344,853,430

## State Property

(1) The Legal Definition and Categories of State Property.

State Property mentioned above is defined under Article 1 of the State Property Law, promulgated by Law No. 43 in April 1921 as follows:

"The State Property under this Law includes all the State-owned real estate and such movable estate and rights belonging to the State as provided in the Imperial Ordinance."

Article 1 of the Imperial Ordinance No. 15 concerning the State Property Law defines, however, State movable estate and rights that are State Property in the following manner:

"The following State-owned movable estate and rights are to be State Property as provided in Article 1 of the State Property Law:

(a) Ships, floats, floating piers and floating docks.

(b) Appendages of real estate or movable estate given in (a).

(c) Machine and important equipment in Government factories such as iron works, shipbuilding yards, arsenals, the mint, tobacco mills and railways.

(d) Surface rights, servitudes, mining rights, alluvial mineral rights and

other rights similar to these rights.

(e) Rights relating to stocks and investments.

The scope of the term "factory under (c) above is to be determined by the respective Ministers after consultation with the Minister of Finance."

State-owned movable estate and rights, such as, cash, deposits, loans, common fixtures and books, for instance, not mentioned in the above provisions are therefore State Property in substance, but do not come under the provision of this Law.

Article 2 of the State Property Law divides State Property into four classes, namely, Public Property, Official Property, Property used for Forestry Management and Miscellaneous Property. Public Property is that directly used or to be used for public service by the State; Official Property is that used or to be used, by the State, for Shinto Shrines, or for State service and enterprises or for residences of officials and other personnel; Property used for Forestry Management is that used or to be used, by the State, for the management of forests, while Miscellaneous Property is that not belonging to these three categories.

(2) The Legal Limitation of the Con-

tent of the "State Property Account" and its Categories.

Article 26 of the State Property Law requires the Government to make a yearly statement of the increase or decrease in the State Property, and, every fifth year, to issue a comprehensive report covering the entire property for the period; and both these statements are to undergo examination by the Auditing Board and then to be presented to the Imperial Diet.

The following are, however, excluded from the statements:

(a) Movable estate and rights owned by the State; but not subject to the provisions of the Imperial Ordinance, that is, State Property in reality if not in law (Art. 1, State Property Law; Art. 1, Imperial Ordinance concerning the State Property Law).

(b) Public Property (Art. 28, State Property Law).

(c) The value of lands used for religious purposes by Buddhist temples, the public land of public corporations and of sites of Shinto shrines (Art. 2 and 5, Ordinance No. 14, Ministry of Finance).

The figures given in the following table are based on these official statements of State Property, and accordingly, the total value of the property owned by the Imperial Japanese Government including State Property mentioned in (a)-(c) above will be much higher than the figures given in this table. It should be noted that the Government, recognizing that it was expedient to apply the State Property Law to Chosen, Taiwan, Karafuto, Kwantung L. T., and Nanyo (Mandated Territory in the North Pacific), put this Law into effect as from April 1, 1937, and the property in these regions was included in the Statements of the financial year 1937. Further, as there prevails an opinion that the value and volume of property mentioned in (b) and (c) should be given in the statements, they will be included therein in the near future.

(3) Administration of State Property.

The administrative service over State Property includes both direct management and general administration, the former under the direction of the respective Ministries, the latter under the Minister of Finance. Each Minister administers the State Property of his Ministry; but the Minister of Finance also undertakes, as the competent

Minister, the general management of all the Property and, thus, unifies the direct management by each Minister, keeping one in touch with the other, so as to secure the full use of the Property.

(4) Increase or Decrease in State Property.

The increase in the total value of State Property is attributed to such factors as the purchase, expropriation and contribution of property, construction of buildings and ships, and the acquisition of rights (acquisition of real estate without owner, acquisition of stocks and of rights due to investment establishment of surface rights, etc.), while the decrease in property is due to the sale, conveyance without compensation, exchange and collapse of property, and extinction of rights (extinctive prescription, reduction of capital, etc.). Moreover, the re-valuation of property made every fifth year causes an increase or decrease in the total value of State Property.

(5) The Funds from the Adjustment of State Property.

With the exception of receipts coming under other special accounts and those from the disposition of State forests and plains or of uncultivated places in Hokkaido, the receipts from the adjustment and disposition of State Property and other miscellaneous receipts constitute the Funds from the Adjustment of State Property and the revenue and expenditure are segregated in a Special Account.

These funds are transferred to the General Account and then, in addition to being used for building and repair and other expenditure necessary for the adjustment of State Property, are, in case of necessity, used for purposes other than those mentioned above in accordance with the Budget Estimates (Articles 1-4, Special Account Law for Funds from the Adjustment of State Property by Law No. 6, 1922; Exceptions in the Special Account Law for Funds from the Adjustment of State Property by Law No. 15, 1927).

The following are the statistics of revenue and expenditure in the Funds from the Adjustment of State Property for the financial years 1929-30 to 1939-40:

Financial Years	Revenue (In yen)	Expenditure
1929-30	9,349,573	9,102,751
1930-31	6,439,664	6,237,805
1931-32	4,870,211	5,963,898

## STATE PROPERTY

Financial Years	Revenue (In yen)	Expenditure	Financial Years	Revenue (In yen)	Expenditure
1932-33	4,765,566	5,823,635	1938-39	8,768,661	2,314,941
1933-34	5,973,512	6,198,998	1939-40	7,959,483	5,646,116
1934-35	7,523,004	6,786,056	Note:—The figures for the financial years 1929-30 to 1938-39 represent the settled accounts, but those for 1939-40 the budget estimates.		
1935-36	6,812,346	3,470,679			
1936-37	8,459,373	5,269,417			
1937-38	7,995,946	4,528,542			

## STATE PROPERTY

March 31st	General Account			Inc. (+) or Dec. (-) as compared with preceding year	Special Account Official Property	
	Official Property	Property used for Forestry Management	Miscellaneous Property			
1934	3,242,826,050	1,374,297,419	696,066,882	5,313,190,353	+473,884,224	3,279,527,024
1935	2,896,185,956	1,371,906,691	703,450,479	4,971,543,127	-341,647,225	4,007,400,131
1936	3,036,003,966	1,376,098,868	702,982,189	5,115,085,025	+143,541,897	4,147,726,762
1937	3,216,301,730	1,823,450,033	723,746,836	5,763,498,600	+648,413,575	5,273,861,500
1938	3,443,385,636	1,809,189,990	756,976,282	6,009,551,850	+240,053,259	5,530,297,356

  

March 31st	Special Accounts			Inc. (+) or Dec. (-) as compared with preceding year	Grand Total	Inc. (+) or Dec. (-) as compared with the total of preceding year
	Property used for Forestry Management	Miscellaneous Property	Total			
1934	—	380,052	3,279,857,076	-73,566,611	8,593,047,429	+400,317,613
1935	—	378,898	4,007,779,029	+727,921,952	8,979,322,157	+386,274,427
1936	—	398,929	4,148,125,691	+140,346,661	9,263,210,716	+283,888,559
1937	157,574,531	233,461,281	5,664,897,313	+1,516,771,622	11,428,395,914	+2,165,185,198
1938	157,449,827	238,090,462	5,925,837,645	+260,940,332	11,935,389,805	+506,993,591

Note:—

(1) The figures for 1929 to 1931 were computed by adding the increase in the value of State property in each financial year to the appraised value of 1927, and those for 1933 to 1938, by adding the increase in each financial year to the appraised value of 1932.

(2) The following are excluded from this table: (a) State movable estate and rights not provided in the Imperial Ordinance, (b) Public Property, (c) lands used for religious purposes by Buddhist temples and sites of Shinto shrines, and (d) public land of public corporations.

(3) As from April 1, 1937, the State Property Law was also put into operation in Chosen, Taiwan, Karafuto, Kwantung L.T., and Nanyo (Mandated Territory in North Pacific).

Appendix—The value of State Property under the jurisdiction of the colonial Governments on March 31, 1936 is as follows:

Government of Chosen	¥ 664,179,205
Government of Taiwan	312,433,468
Government of Karafuto	50,726,345
Government of Kwantung	158,010,446
Government of Nanyo (Mandated South Sea Islands)	20,343,824
Total	1,205,693,288

Note:—This table indicates only the value of State-owned real estate and ships and their equipment, but excludes the value of Public Property.



### CAPITAL AND EXPENDITURE FOR WAY AND WORKS OF THE IMPERIAL RAILWAYS

Compiled by the Ministry of Railways

Financial Year	Capital originally owned	Amount of Capital		Cost of Construction
		Borrowed Capital	Total	
(In yen)				
1933-34	1,802,811,650	1,879,614,749	3,682,426,399	53,130,133
1934-35	1,891,897,268	1,921,314,177	3,813,211,445	47,794,116
1935-36	1,995,865,521	1,942,297,215	3,938,262,736	43,197,238
1936-37	2,118,446,062	1,971,178,616	4,089,624,978	43,922,922
1937-38	2,626,225,264	1,993,792,018	4,256,017,282	42,652,542

Financial Year	Expenditure for Way and Works (During the Year)			Total
	Maintenance Expenses	Replenishment Expenses	Improvement Expenses	
1933-34	54,395,922	2,122,589	56,304,722	165,953,366
1934-35	67,632,642	3,936,208	67,662,895	187,025,861
1935-36	70,018,829	3,710,575	83,366,177	200,292,819
1936-37	73,606,269	7,580,496	89,446,250	214,555,937
1937-38	84,195,665	4,559,880	104,152,937	192,908,482

### LOCAL FINANCE

#### ANNUAL REVENUE AND EXPENDITURE OF MUNICIPAL CORPORATIONS

Prefectures (Dō, Fu & Ken)

Compiled by the Ministry of Home Affairs

Financial Year	Rates	Revenue		Total	Expenditure
		Receipts from Other Sources	(In yen)		
1933-34	228,474,081	540,273,770	768,747,851	717,465,740	
1934-35	240,211,534	519,606,970	759,818,504	659,057,156	
1935-36	253,509,526	533,833,390	787,392,916	685,306,100	
1936-37	252,748,344	286,804,320	539,552,664	539,552,664	
1937-38	264,487,592	319,023,581	583,511,173	583,511,173	
1938-39	254,595,558	344,848,085	599,443,643	599,443,643	
1939-40	254,324,000	329,921,000	584,245,000	584,245,000	

Financial Year	Rates	Revenue		Total	Expenditure
		Receipts from Other Sources	Cities		
1933-34	135,339,784	1,262,161,523	1,397,501,307	1,270,379,090	
1934-35	151,195,294	1,017,644,313	1,168,839,607	1,044,492,791	
1935-36	164,739,750	977,401,582	1,142,141,332	959,693,093	
1936-37	170,960,281	688,870,575	859,845,856	859,218,609	
1937-38	188,402,853	758,534,312	946,937,165	946,204,539	
1938-39	204,486,529	755,642,579	960,129,108	959,428,854	
1939-40	217,149,000	731,395,000	948,544,000	948,032,000	

Financial Year	Rates	Town and Villages			Grand Total
		Revenue	Expenditure	Total	
Revenue					
Receipts from Other Sources					
1933-34	193,562,097	401,820,386	595,382,483	547,059,752	2,761,631,641
1934-35	203,340,727	392,491,049	595,831,776	539,631,076	2,524,489,887
1935-36	214,631,432	400,875,679	615,507,111	560,377,183	2,545,041,359
1936-37	230,118,740	266,149,290	496,268,030	496,119,450	1,895,666,550
1937-38	247,584,698	278,691,750	526,276,448	526,116,359	2,056,724,786
1938-39	264,341,902	269,662,232	534,004,134	533,859,908	2,093,576,885
1939-40	243,957,000	279,208,000	523,165,000	523,067,000	2,055,955,000

Note:—The figures for 1937-38 and after represent the budget estimates.

### AMOUNT OF LOCAL LOANS

At the end of March:	Loans of Prefectures	Loans of Cities	Loans of Towns and Villages	Loans of Local Associations	Total
1930	482,412,880	1,461,953,003	235,736,724	41,600,732	2,221,703,339
1931	534,348,984	1,540,896,965	256,305,035	42,864,840	2,374,415,822
1932	580,128,337	1,596,468,423	312,832,386	45,656,761	2,535,085,907
1933	663,839,451	1,733,761,825	279,060,038	51,588,438	2,728,249,752
1934	777,904,944	1,811,629,352	315,988,269	51,949,772	2,957,472,337
1935	887,155,999	1,902,171,086	243,126,568	54,540,503	3,186,994,156
1936	976,482,919	2,004,852,718	391,494,111	55,109,102	3,427,938,850
1937	1,076,498,809	2,147,849,855	413,829,207	55,872,223	3,694,050,094
1938	1,125,972,744	2,243,256,011	435,947,053	56,240,946	3,861,416,754

### LOCAL LOANS CLASSIFIED ACCORDING TO THE OBJECTS FOR WHICH THEY WERE RAISED

(Unit: ¥1,000)

At the End of March	Education	Sanitation	Industry	Public Works	Electric and Gas Enterprises	Others	Total
1933	196,998	339,401	217,526	985,904	587,528	400,890	2,728,249
1934	184,140	308,202	224,943	1,135,798	639,058	465,328	2,957,472
1935	228,588	332,840	240,469	1,013,619	671,907	699,568	3,186,994
1936	298,413	387,976	292,752	1,165,164	680,775	602,856	3,427,938
1937	323,909	469,087	326,340	1,211,469	737,757	625,486	3,694,050
1938	360,395	497,441	375,608	1,268,255	771,762	587,952	3,861,416

### LOANS OF CITIES ISSUED ABROAD OUTSTANDING MARCH 31, 1938

Cities	Loans	Amount issued	Amount redeemed (In yen)	Amount outstanding
Tokyo	Loan for consolidation of old debts, improvement of city, etc.	14,580,000	14,580,000	—
"	Loan for electric enterprises	89,344,183	38,000,206	51,343,977
"	Reconstruction works loan	99,982,213	14,853,346	85,128,867
Osaka	Harbor-works loan	3,085,000	612,500	2,472,500
"	Loan for Electric Railways and Water-works	30,220,000	12,308,000	17,912,000
Yokohama	Water-works loan (2nd Series)	7,000,000	1,967,425	5,032,575
"	6% Reconstruction Works Loan (Dollar)	39,602,388	7,320,624	32,281,764
Nagoya	Water-works loan	7,816,000	6,155,100	1,660,900
Total		291,629,784	95,797,201	195,832,583

### Japan's National Wealth

The national wealth of Japan proper for 1930, the most recent date for this kind of investigation, was estimated at ¥110,188,000,000, according to the Cabinet Statistics Bureau. This included the following:

	(In ¥1,000)
Land	41,091,348
Mines	6,499,651
Ports, harbors and canals	343,143
Bridges	483,000
Trees	6,706,815
Live-stock and poultry	346,356

Buildings	22,843,300
Industrial machines and Apparatus	1,809,381
Railways and tramways (street cars)	3,598,138
Vehicles and aeroplanes	660,294
Shipping	2,060,236
Electric and gas supply equipment	1,905,044
Telegraph and telephone equipment	196,102
Waterworks equipment	352,779
Property in store:	18,847,310
Household property	12,473,201



fits, interest or surplus money of a corporation, and the amount of income during the preceding year in the other case (in the case of dividends on un-registered shares and interest on un-registered public bonds and debentures, the amount received).

(3) Income from the following undertakings:—

- (A) (a) Trade in commodities or saleable articles;  
 (b) Money-lending at interest;  
 (c) Renting of articles;  
 (d) Manufacturing industry (including the supply of gas and electricity and repairing of goods);  
 (e) Transportation business;  
 (f) Warehousing;  
 (g) Contract work;  
 (h) Printing;  
 (i) Publishing business;  
 (j) Photography;  
 (k) Tea-house business;  
 (l) Hotel business;  
 (m) Eating-house business;  
 (n) Employment exchange;  
 (o) Agency;  
 (p) Brokerage;  
 (q) Wholesale business;  
 (r) Mining;  
 (s) Alluvial mining;  
 (t) Bath-house business;  
 (u) Barber and beauty-parlor business;  
 (v) Other undertakings specified by Ordinance.

(B) Income from the following:—

Agricultural industry, live-stock raising, fisheries, services of physicians, lawyers; and all other sources of income which are not included in other classes.

The income tax in respect of all the above undertakings is imposed on the net income after deducting necessary business expenses from the gross income during the preceding year. In the case of fisheries, however, the tax is assessed on the average of the net income in each of the 3 preceding years.

(4) Personal Service Income.

(A) Salaries, allowances, annuities, pensions (excluding lump-sum pensions) bonuses and other allowances of similar nature, paid in the territory where the Law is in force, excluding money received from individual persons as provided by Ordinance. The tax is assessed on the amount received.

(B) Salaries, allowances, annuities, pensions (excluding lump-sum pen-

sions), bonuses and other allowances of similar nature, other than those included in (A). The tax is assessed on the actual receipts during the preceding year.

(5) Incomes from forests. The tax is assessed on the net income during the preceding year.

(6) Retiring allowances.

(A) Lump-sum pensions, retiring allowances and other allowances of similar nature, paid in the territory where the Law is in force. The tax is assessed on the remainder after deducting ¥10,000 from each receipt from every payer.

(B) Lump-sum pensions, retiring allowances and other allowances of similar nature, other than those included in (A). The tax is assessed on the remainder after deducting ¥10,000 from each receipt from every payer during the preceding year.

**Non-taxable or Free** Those exempted from taxation under the provisions of the Income Tax Law are as follows:—

Hokkaido, fu and ken (prefectures), cities, towns, villages, other public corporations specified by Ordinance, Shinto shrines and associations incorporated in accordance with Article 34 of the Civil Code are exempted from Income Tax. Public corporations specified by Ordinance as mentioned above are as follows:—

Unions of fu and ken (prefectures); unions of cities, towns and villages; unions of towns and villages; wards of property-owning sections of cities, towns or villages; Hokkaido Local Expenditure; school unions of cities, towns and villages; school unions of towns and villages; school districts of cities, towns and villages; irrigation associations, federations of irrigation associations; farm readjustment associations and their federations; Hokkaido public waters aquatic producers' associations and their federations; forestry associations; sake brewers' associations and their federations; central council, ditto; fisheries associations and their federations; foreign waters aquatic producers' associations and their federations; stock-breeders' associations and their federations; agricultural associations; fishery associations; chambers of commerce and industry and other public corporations of corresponding nature.

Class IV incomes coming under any of the following items are exempted from taxation:—

1. Salaries and allowances of officers and privates of the Army and Navy while engaged in war;
2. Allowances to the bereaved and pensions to the sick and wounded;
3. Money received for travelling or school expenses and legal allowances received for support;
4. Interest on deposits in the post office savings bank and current deposits specified by Ordinance;
5. Interest on deposits in industrial associations and other deposits, specified by Ordinance, the principal of which is less than ¥3,000;
6. Occasional incomes derived from undertakings specified under Class 3 (B), on a non-commercial basis.
7. Incomes of aliens derived from trade, business or professional services in places where the Income Tax Law is not in force.

Those who manufacture or mine certain staple commodities that are specified by Imperial Ordinance, are exempted from income tax on incomes derived from the products of their manufacture for the first four years of operation.

**Abatement From Income** (1) Abatement from incomes from immovable assets. When the total income of a family under class (1) is less than ¥250, the tax is not assessed.

(2) When the total income of a family under class (2)-(B) is less than ¥100, the tax is not assessed.

(3) In regard to the income under class (4)-(A), abatement is made to the amount calculated according to the duration of receiving allowances at the rate of ¥720 per annum.

(4) The following abatements are made from incomes for purposes of assessment from undertakings under class 3 and services under class 4-B:—

- (a) ¥500 in the case of incomes from undertakings.
- (b) ¥720 in the case of incomes from services.

In the case of a person who has income from undertakings and professional services at once, (a) shall not be made. But, when the income from professional services is less than ¥720, the remainder of ¥500 after deducting 5/7.2 of the income from service shall be abated from the income from undertakings.

In the case of a person who is granted abatement from his income under class (4)-(A) the above abatements (a) or (b) shall not be made. But, when such abatement is less than ¥720, the remainder of ¥500 after deducting 5/7.2 of the said abatement shall be abated in the case of income from undertakings, and the remainder of ¥720 after deducting the said abatement in the case of income under (4)-(B). When a person has income from both sources mentioned above, the amount specified by Ordinance shall be abated.

(5) Abatement from income from forests shall be made to the amount of ¥500.

(6) Special abatement. When a person has a wife, or a member of the family who is under the age of 18 or over 60, or disabled relatives who are solely dependent upon him on January 1st of the year, the following abatements are allowed:—

(a) In case of class (4)-(A) the amount corresponding to 8 per cent of the amount calculated according to the duration of receiving payments, at the rate of ¥150 per annum for each of the dependent member of the family.

(b) In the case of class (1), class (3), class (4)-(B) and class (5), 8 per cent of ¥150 for each of the dependent members.

(c) Amount corresponding to 6 per cent of the amount of insurance premiums paid, and less than ¥200 a year, from all classes of income, excepting class (6).

These special abatements shall not be made for a person who comes under clause (2) under the heading "payers of the tax."

**Tax Rates** The rates of the Classified Income Tax are as follows:—

Class (1)	10 per cent.
Class (2)-(A)	Interest on State bonds: 4 per cent. Interest on other public bonds: 9 per cent.
Class (2)-(B)	10 per cent.
Class (3)-(A)	8.5 per cent.
Class (3)-(B)	7.5 per cent.
Class (4)	6 per cent.
Class (5)	When the amount of income is ¥1,600 or less: 5 per cent. When it exceeds ¥1,600: 7.5 per cent.

Class (6)	For each receipt from different payers, When the amount is ¥20,000 or less: 6 per cent.
	Over ¥20,000 to ¥100,000: 12 per cent.
	Over ¥100,000 to ¥500,000: 25 per cent.
	Over ¥500,000: 40 per cent.

The rates of taxation on income under Class (2)-(A) of a person who does not come under clause (1) of the paragraph on payers of the tax and a corporation not having a head office or a principal office within the territory where the Law is in force, are as follows:—

Interest on State bonds	9%
Interest on other public bonds	14%
Interest on deposits in banks and industrial associations and share of surplus money of industrial and commercial associations	10%
Others	15%

## II. Composite Income Tax

(1) The Composite Income Tax is assessed on the total income of a person whose combined income is unusually large, in addition to the imposition of tax under the Classified Income Tax, the rates of imposition being progressive and high. In the case of a person who does not come under clause (1) of the paragraph on payers of the tax, the Composite Income Tax is assessed only on the income from his assets or undertakings within the territory where the Law is in force.

(2) The Composite Income Tax shall not be assessed on the incomes mentioned as non-taxable or free in the explanation on the Classified Income Tax, and lump pensions, retiring allowances and allowances of similar nature.

(3) The calculation of the amount of income of a person liable to taxation is made as follows:—

(a) In the case of income from immovable assets, rights thereof or rent of ships, the remainder of the gross income during the preceding year after deducting necessary expenses.

(b) In the case of income from interest on public bonds, debentures, deposits in banks, or share of profits of trust companies, payable in the territory where the Law is in force, the remainder of the amount received after

deducting 40 per cent of the actual amount.

(c) In the case of income from sources similar to those mentioned in (b) other than that which are payable in the territory where the Law is in force, the amount received during the preceding year.

(d) In the case of interest on advanced money not on a commercial basis, the remainder of the gross income during the preceding year after deducting the interest on debt made for obtaining the principal for lending.

(e) In the case of shares of profit, dividends or surplus money of a corporation, the remainder of the amount received, from March 1st of the preceding year to the last day of February of the year, after deducting the interest on debt made for obtaining the principal.

(f) In the case of income from forests, the remainder of the gross income during the preceding year after deducting necessary expenses.

(g) In the case of salaries, allowances, annuities, pensions, bonuses and allowances of similar nature, the amount received during the preceding year.

(h) In the case of income from fishery industry, the average amount of the remainder of the gross income during the preceding 3 years after deducting necessary expenses.

(i) In the case of income from sources other than those mentioned in (a)-(h), the remainder of the gross income during the preceding year after deducting necessary expenses.

**Abatement from Income** (1) When the amount of income liable to taxation in the case of (g) in the preceding paragraph is less than ¥10,000, 10 per cent abatement is allowed.

(2) When the amount of income liable to taxation is less than ¥5,000, the Composite Income Tax shall not be levied. [Also when it becomes less than ¥5,000 on account of the abatement in (1).]

**Tax Rates** The rates of the Composite Income Tax are as follows:—

Amount of Income Liable to Taxation	Rate
Over ¥5,000 to ¥8,000	10 per cent
Over ¥8,000 to ¥12,000	15 per cent
Over ¥12,000 to ¥20,000	20 per cent
Over ¥20,000 to ¥30,000	25 per cent
Over ¥30,000 to ¥50,000	30 per cent

Over ¥50,000 to ¥80,000	35 per cent
Over ¥80,000 to ¥120,000	40 per cent
Over ¥120,000 to ¥200,000	45 per cent
Over ¥200,000 to ¥300,000	50 per cent
Over ¥300,000 to ¥500,000	55 per cent
Over ¥500,000 to ¥800,000	60 per cent
Over ¥800,000	65 per cent

The new Income Tax Law imposes tax on the income of individuals, most of the taxes on the income of corporations prescribed in the old law being transferred to the new Corporation Tax Law.

Actual examples of taxes under the new law in comparison with those under the old one are given below:—

### Graded Taxes Imposed on Incomes Exceeding ¥5,000 in Comparison with Those under the Old Law

Amount of Income Liable to Taxation	Under old Law		Total	Under New Law			Index Number
	Tax	Surtax		Composite Income Tax	Classified Income Tax	Total	
5,000	287.26	71.65	358.91	0	337.50	337.50	94
6,000	397.51	98.95	496.46	100.00	412.50	512.50	103
7,000	507.76	126.25	634.01	200.00	487.50	687.50	108
8,000	642.51	159.85	802.36	300.00	562.50	862.50	107
9,000	777.26	193.45	970.71	450.00	637.50	1,087.50	112
10,000	912.01	227.05	1,139.06	600.00	712.50	1,312.50	115
12,000	1,230.51	306.85	1,537.36	900.00	862.50	1,762.50	114
15,000	1,708.26	426.55	2,134.81	1,500.00	1,087.50	2,587.50	121
20,000	2,688.26	657.55	3,345.81	2,500.00	1,462.50	3,962.50	118
25,000	3,952.01	930.55	4,782.56	3,750.00	1,837.50	5,587.50	116
30,000	5,015.76	1,203.55	6,219.31	5,000.00	2,212.50	7,212.50	115
50,000	10,405.76	2,463.55	12,869.31	11,000.00	3,712.50	14,712.50	114
80,000	19,960.76	4,689.55	24,650.31	21,500.00	5,962.50	27,462.50	111
120,000	34,415.76	8,049.55	42,465.31	37,500.00	8,962.50	46,462.50	109
200,000	66,633.26	15,105.55	81,738.81	73,500.00	14,962.50	88,462.50	108
300,000	111,958.26	24,765.55	136,723.81	123,500.00	22,462.50	145,962.50	106
500,000	209,958.26	44,085.55	254,043.81	233,500.00	37,462.50	270,962.50	106
800,000	371,658.26	75,585.55	447,243.81	413,500.00	59,962.50	473,462.50	105
1,200,000	606,858.26	119,265.55	726,123.81	673,500.00	89,962.50	763,462.50	105
2,000,000	1,096,858.26	209,985.55	1,306,843.81	1,193,500.00	149,962.50	1,343,462.50	102

Note:—Income from forests and special abatements are not accounted for.

### Time of Payment

(1) The Classified Income Tax on incomes classified as class (2)-(A) (interest and dividends), Class (4)-(A) (personal service income) or Class (6)-(A) (retiring allowance) shall be collected by the payers (of dividends, salaries, etc.) at the time of payment and be paid to the Government by them by the 10th of the following month.

(2) Other kinds of Classified Income Tax and Composite Income Tax are divided into 4 equal parts which are

collected respectively during the following 4 periods:—

1st period	July 1—31 in the year.
2nd period	Sept. 1—30 in the year.
3rd period	Nov. 1—30 in the year.
4th period	Feb. 1—28 or 29 in the ensuing year.

## II. CORPORATION TAX

The Corporation Tax is a combination of former Class I under the old Income Tax and former Corporation Capital Tax, and assessed from corpora-

Graded Taxes Imposed on Personal Service Income (In Yen)		
Amount of Income Liable to Taxation	Classified Income Tax Total Amount of Tax	Amount per 100 yen
700	0	0
800	4.80	.60
900	10.80	1.20
1,000	16.80	1.68
1,500	46.80	3.12
2,000	76.80	3.84
3,000	136.80	4.56
5,000	256.80	5.13

Note:—Special abatements are not accounted for.

tions in and out of the territory where the Law is in force.

(1) The Corporation Tax is assessed on the capital and income of corporations having a head office or principal office within the territory where the Law is in force.

The tax is imposed on the net profit for each business year after deducting loss. In the case of mutual insurance companies and bourses on membership basis, on the surplus money of each business year.

(3) Abatement. When a corporation is in possession of Government bonds, the amount corresponding to 70 per cent of interest on such bonds is deducted from the amount of income liable to taxation.

The amount of the Extraordinary Profit Tax imposed on a corporation may be deducted from that of the Corporation Tax on petition.

(4) Rate of the Tax is 18 per cent of the above-mentioned income from business.

(5) An additional tax is assessed on the reserves of a family company; when the amount brought into the reserve in each accounting year exceeds an amount corresponding to 30 per cent of the income in the same year, on such excess; or on the remainder of such money from ordinary income after deducting an amount corresponding to 10 per cent of the said income, or on the excess of the reserves at the end of the accounting year if the excess amount corresponds to 50 per cent of the paid-up capital. Rates of additional taxation are as follows:—20 per cent, for an amount less than ¥50,000; 30 per cent for ¥50,000 or over; 40 per cent for ¥100,000 or over; 50 per cent for ¥500,000 or over; and 65 per cent for ¥1,000,000 or over.

(5) Corporation Tax is assessed on the paid-up capital of corporations, funds of mutual insurance companies, funds paid in by members of bourses, and their reserves. The rate of the taxation is 0.15 per cent of the net profit derived during the business year.

(6) The Corporation Tax is assessed on the following:—

In the case of dissolution of a corporation, the value of remaining assets in excess of the paid-up capital or the invested fund at the time of dissolution; in the case of amalgamation of corporations, an excess of the sum of the paid-

up amount for shares and the amount of money acquired by the shareholders or partners of the amalgamated corporations from the amalgamating corporation or a corporation created as the result of the amalgamation, over the paid-up capital or the invested fund of the amalgamated corporations at the time of amalgamation.

(7) The rate of tax on the net assets of corporations at liquidation or amalgamation is 18 per cent.

(8) In the case of a corporation not having a head office or principal office within the territory where the Law is in force, the Corporation Tax is assessed only on the assets, capital and income in the territory where the Law is in force.

The amount of income liable to taxation is calculated in the same way as mentioned in paragraph (1). The rate of the tax is 28 per cent.

The amount of capital liable to taxation is calculated in the same manner as that mentioned in paragraph (5). The rate of tax is 0.15 per cent.

(9) Those public bodies, corporations and associations enumerated under the heading "Non-taxable or Free" under the Income Tax Law, are free from the Corporation Tax.

Those corporations which manufacture or mine certain staple commodities that are specified by Imperial Ordinance are exempt from taxation on income from their undertakings for four years from the time of the commencement of their business.

#### Corporation Tax

(Compared with that prior to the Revision)

In the case of a corporation with one million yen capital

(In yen)

Net profit raised	Amount of Profit	Amount of Tax	
		Old	New
10%	100,000	22,021	24,268
15%	150,000	40,372	50,700
20%	200,000	61,454	78,967
30%	300,000	105,138	135,487
50%	500,000	196,186	277,804
70%	700,000	287,546	421,880
100%	1,000,000	424,933	637,995

#### III. SPECIAL CORPORATIONS TAX

The Special Corporations Tax is created in order to impose tax on the sur-

plus money of special corporations such as industrial associations, commercial associations and manufacturers' associations.

Those special corporations liable to taxation are the following, associations organized under laws enforced in Japan proper:—

Industrial associations, federation of industrial associations, commercial associations and their federations, manufacturers' associations and their federations, foreign trade associations and their federations, automobile transportation associations and their federations, fishery cooperative societies and their federations, silk associations for common facilities, the Central Chest of Industrial Associations, and the Central Chest of Commercial and Manufacturers' Associations.

The rate of the tax is 6 per cent of the remainder of the surplus money after deducting the amount of abatements.

#### IV. BUSINESS TAX

The Business Tax is a newly created tax which is a combination of the former Business Profit Tax and local business taxes, and is levied either on individuals or corporations.

##### 1. Persons Liable for the Business Tax

(A) A commercial corporation with head office, branch office or any business office in the territory where the Law is in force.

(B) A person who engages in any of the businesses mentioned under Class (3)—(A) in the Income Tax Law in the territory where the Law is in force.

##### 2. Basis of Assessment

The tax is assessed on the share of surplus money at liquidation of a corporation and net profits, viz., in the case of a corporation, the balance remaining in each accounting period after deducting the total losses from the gross profits for the period and in the case of an individual, the balance remaining after deducting necessary expenses from the gross profits for the preceding year.

##### 3. General and Temporary Exemption

a. No business tax is levied on the profits of the following business:—  
Dealing in postage and revenue

stamps issued by the Government;  
Manufacture, repairing and sale of scales, weights and measures;  
Publishing under the newspaper Law;  
Business transacted in offices outside of the territory where the Business Tax Law is in force;  
Sale of or manufacturing done on agricultural and forestry products, live-stock breeding or marine industry; but such sale or manufacture in a place specially prepared for the purpose is not exempted.

b. Net profits derived from industries producing certain important goods specified by the Imperial Ordinances are exempted from the business tax under the provisions of the Ordinance during the first four years of operation of a factory.

##### 4. The Minimum Net Profits Assessable

The minimum net profits assessable are 400 yen in the case of an individual, but there is no such exemption in the case of a corporation.

##### 5. Rate of Tax

Corporation	1.5 per cent
Individual:	
Exceeding ¥400 of net profit	1.5 per cent

#### V. SPECIAL TAX ON FOREIGN CURRENCY SECURITIES

##### 1. Tax Payers

Holders of foreign currency securities, who have domicile or a temporary residence for one year or more within the territory where this Law is in force, are liable for payment of this tax. "Foreign currency securities" here means Japanese national bonds, Japanese municipal bonds, and debentures issued by Japanese corporations, all expressed in foreign currencies.

##### 2. Basis of Assessment

The tax is levied on interest on foreign currency securities. Interest received between January 1 and June 30, and that received between July 1 and December 31, are taken as the assessable amount.

##### 3. Tax Rates

(a) In the case of interest on national bonds in foreign currencies:

70 per cent of the amount remaining after deduction of the amount equivalent to 4 per cent (a year) of the face-value.

- (b) In the case of interest on foreign currency securities other than national bonds in foreign currencies:

70 per cent of the amount remaining after deduction of the amount equivalent to 4.5 per cent (a year) of the face-value.

#### 4. Tax Exemption

The following interest is exempted from the imposition of the tax:—

- (a) Interest on foreign currency securities as received by holders who are exempted from the income tax under the Income Tax Law and other laws.
- (b) Interest on national bonds in foreign currencies with interest rates not exceeding 4 per cent a year.
- (c) Interest on foreign currency securities (other than national bonds in foreign currencies) with interest rates not exceeding 4.5 per cent a year.
- (d) Interest on foreign currency securities issued under the contract that the issuer of the securities will pay the tax; provided, however, that such contract must be that concluded before January 1, 1937.

#### VI. SPECIAL TAX ON DIVIDEND AND INTEREST

Special Tax on Dividend and Interest is a newly created tax which is a combination of the Tax on Dividends and the Tax on Interest on National Bonds and Company Debentures formerly prescribed in the law relating to emergency taxes for the China Affair, and is imposed on high rate dividends or interest.

(1) Payers of the tax are persons who receive dividends from corporations having a head office within Japan proper.

(2) This tax is assessed at the rate of 15 per cent on the following dividends and interest:—

1. Dividends which are over 10 per cent a year.
2. Interest on national bonds of 4 per cent a year.

3. Interest on public bonds other than national bonds and debentures of over 4.5 per cent a year.

(3) This tax is not assessed on the dividends and interest received by public bodies, public corporations and industrial associations exempt from the tax according to the provisions of the Income Tax Law, and on the interest on foreign currency securities on which the Foreign Currency Securities Tax is assessed.

(4) The collection of the tax is made by payers of these dividends and interest at the time of payment and paid in by them to the Government by the 10th of the following month.

(5) The Classified Income Tax is also assessed on dividends and interest. In such case this tax is first imposed and the Classified Income Tax is imposed only on the remainder of the dividends and interest after deducting the amount of tax imposed under the present law.

#### VII. EXCESS PROFIT TAX

The tax is levied on profits derived from the businesses carried on by individuals and corporations.

(1) Payers of the tax:—

Those persons and corporations that have domicile or a temporary residence for one year or more within the territory where this Law is in force, are liable for payment of Excess Profit Tax. Those who, though not coming under the above provision, have assets or are doing business within the territory where this Law is in force are also liable for payment of the Excess Profit Tax in respect of only those profits derived from such assets or business.

(2) Basis of Assessment.

(A) Corporations. The Excess Profit Tax in respect of corporations is imposed on the portion of excess arising in cases where the net profits in the current accounting period exceeds 10 per cent of the capital in the current accounting period. The amount of the capital is fixed at a monthly average of paid-up capital, invested funds, payment by members, and reserves, paid in or reserved during the months of the current accounting period. Rates of tax are:

(a) On the portion of 10 per cent profit which is less than the amount of normal profit calculated by multiply-

ing the capital of the current accounting period by a normal rate of profit during the three years of 1934, 1935 and 1936, 25 per cent.

(b) When the rate of profit is less than 30 per cent and the amount exceeds the amount of the said normal profit, 45 per cent.

(c) When the rate of profit is 30 per cent or over, 65 per cent.

(d) In the case of corporations whose capital is less than ¥100,000, the rates of tax on the preceding (a), (b), (c) are reduced to 15 per cent, 35 per cent and 55 per cent respectively.

(B) Individuals. The Excess Profit Tax in respect of individuals is imposed on the net profit arising from undertakings mentioned in Class (3) under the Income Tax. The tax is assessed on that portion of profit during the current accounting period which is in excess of the average profit for 1934, 1935, 1936. In case where no such average is obtainable for the said three years or it is less than ¥7,000 or it is less than one-third of the profit of the current accounting period, either ¥7,000 or one-third of the current profit, whichever is greater in actual amount, is chosen as the average profit, and the tax is assessed on that portion of profit of the current accounting period which is in excess of the average thus calculated.

The tax is also imposed on the net profit arising from transfer of vessels or of the rights and equipment relating to mining or placer mining.

Rates of tax are 30 per cent on business profits and 25 per cent on profits from the transfer.

#### VIII. LAW RELATING TO EMERGENCY MEASURES REGARDING TAXES

This law provides wholesale emergency measures to be taken regarding taxes to cope with the changes in economic conditions that may arise from the development of the China Affair, and to coordinate the different taxes. Under this law reductions are made, for the time being, in the rates of the Income Tax, the Corporation Tax, the Land Tax, the Business Tax, the Sugar Consumption Tax, the Textiles Consumption Tax, the Registration Fees, and the Excess Profit Tax.

(1) Reductions in the Corporation Tax in respect of the employment of

excess reserves of corporations.

If, in case where the amount of reserves in the ordinary income of a corporation in each accounting period exceeds 3% of the income, and the whole or a part of that excess amount is employed for the creation, expansion, or improvement of equipment available for the special enterprises, a reduction in tax equivalent to the amount thus employed multiplied by 3.6% is allowed.

(2) If improvement or expansion in equipment has been effected after April 1, 1939 and its productive capacity has increased by more than 30% as against the capacity of production prior to such improvement or expansion of the equipment, the income and the net profits derived from the manufacture or mining of commodities by means of the equipment thus expanded are exempted from the Income Tax, the Corporation Tax and the Business Tax for the first 4 years after the expansion of the equipment.

(3) Reductions in the Land Tax and the Business Tax.

When the incomes of independent farmers show a decline of more than 25% as against the average profits of the years 1934, 1935, and 1936, reductions of 20 to 50 per cent in the land tax are allowed.

When the net profit from a business shows a decline of more than 25% as against the average net profit of the years 1934, 1935 and 1936, a reduction of 20 to 50 per cent in the business profit tax is allowed, provided, however, that this does not apply to cases where the net profit is in excess of ¥200,000, no reduction is made notwithstanding that net profits are less than ¥6,000.

(4) When the income of a corporation includes that arising from undertakings in a territory outside the Japanese Empire, the Corporation Tax is reduced by a sum equivalent to 4 per cent of the income arising from such undertakings.

In the case of an individual whose income is derived from an undertaking in a territory outside the Japanese Empire, the Classified Income Tax is reduced by an amount corresponding to 2 per cent of the income arising from such undertakings.

(5) In the case of miners of the staple mine products specified by Ordinance, the Classified Income Tax or the

Corporation Tax is reduced by an amount corresponding to 2 per cent of the income arising from such mining. For the beginners in this kind of mining and those who have expanded the mining equipment, the Income Tax, the Corporation Tax and the Business Tax are not imposed on the income for a period specified by Ordinance.

(6) In the case of a family company which is established principally for doing business the rates of the Corporation Tax are reduced to a certain extent.

(7) For life insurance companies, the rate of tax mentioned under the Classified Income Tax is reduced from 10 to 6 per cent in regard to the dividends or interest on securities continuously held during a period beginning not later than the end of 1939.

#### IX. LAND TAX

The land tax has hitherto been levied on the basis of the assessment of 1873. In view, however, of the fact that after that year there was only a partial revision in the assessed value which, with the progress of economic conditions, became unadapted to actual circumstances and in many cases caused unfairness in the incidence of taxation, fundamental amendments were effected in 1930 in this tax, whereby the rental value was taken as the basis of tax assessment.

##### 1. Basis of Assessment.

The land tax is imposed on the basis of the rental value of land entered in the cadastre. From 1930 to 1937, it was levied according to the rental value assessed during the two years 1926 and 1927, but after that period it was to be levied according to a rental value to be amended every ten years. The first amendment was made in 1938.

##### 2. Payers of Tax.

All landowners are liable for this tax. In the case of land under mortgage, however, the tax is collected from the mortgagee; and in the case of land under superficies of more than one hundred years, it is collected from the superficiary.

##### 3. Rates of Tax.

Formerly, the land tax was imposed according to the value of land, and the rates were 2.5% on residential land, 4.5% on rice and other fields and 5.5% on other land. With the amendment

of this tax by which the rental value was taken as the basis of tax assessment, however, the tax is levied on all categories of land at the rate of 8 per cent, of which 2 per cent is levied by the central Government, 2 per cent as sur-tax by the prefectural government, and 4 per cent as sur-tax by city, town or village. The amount levied by the central Government is to be transferred to prefectural governments, so that the nature of the Land Tax is changed from national tax to local tax by the new Tax Law.

##### 4. Tax Reduction and Exemption.

Reduction is made for a fixed period in the case of developed land (land sold or transferred by the Government under an agreement previously made to the effect that, after the completion of its clearing, it should be sold or transferred in accordance with Art. 21 of the State Property Law, and become taxable land), land under cultivation (land converted from waste, forests, etc. into rice-fields, lots for building purposes, etc.) and land the classification of which was interchanged. Reclaimed land, waste land and land damaged by calamities are exempt from the tax. There is also a regulation providing that petty independent farmers owning rice or other fields within the city, town or village where they have domicile or within the neighboring cities, towns or villages should be exempt from the land tax in cases where the rental value of rice or other fields is under ¥200 including that of the fields owned by other members of their families. The rice or other fields tenanted are, however, not exempted from the land tax.

#### X. SUCCESSION TAX

The assessment of the Succession Tax is made in the following manner: In the case of the unlimited tax payers, the value of the descendible property subject to the succession tax is first added to the value of donations made by the predecessor within a period of one year before the succession occurs, and from this amount, (1) taxes, (2) funeral expenses for the predecessor, and (3) debts are deducted. In the case of the limited tax payer, the value of the descendible property subject to the succession tax is first added to the value of donations made by the predecessor within a period of one year before the succession occurs in respect

of the property lying within the territory where the Law is in force, and from this amount, (1) taxes on said property, (2) obligations for which said property has been given as security, and (3) obligations to make donations in respect of said property are deducted. It should, however, be noted that donations or legacies made to public corporations or for charitable works and other public works are not included in the assessable amount. The life insurance, which the successor receives on account of the predecessor's death under the insurance contract in which the predecessor has been a policy-holder, is regarded as the descendible property subject to the succession tax, but this does not apply to the case in which the total of insurance received by the successor is less than 5,000 yen. When retiring allowances, rewards for meritorious services, and other allowances of similar nature, which are to be paid to the predecessor, are paid, on account of the predecessor's death, to the successor and other persons, these allowances are regarded as the descendible property subject to the succession tax, except in cases where the total amount of such allowances is less than 5,000 yen.

In the following cases the property is exempted from the succession tax:—

- (1) The value of a property which does not amount to 5,000 yen in the case of succession to the headship of a house is not subject to the succession tax;
- (2) The value of a property which does not amount to 1,000 yen in the case of succession to property is not subject to the succession tax;
- (3) When a succession occurs through death in a battle, or through death caused by wounds or sickness

incurred in a battle, of officers and privates of the Army or Navy and others attached thereto, the property of the deceased is not subject to the succession tax:

(4) When a succession occurs again within 7 years to the property upon which the tax has been imposed, the amount of succession tax corresponding to the amount of tax previously collected is remitted.

(5) When a succession occurs again within 10 years to the property upon which the tax has been imposed, half the amount of succession tax corresponding to the amount of tax previously collected is remitted.

The succession tax is, after the value of assessment has been classified, imposed by applying the proper rate of tax in the proper degree in each case according to the kinds of successors.

Abatement is made in the following cases:—

In the case of succession to the headship of a house, where the succession occurs through death in the territory where the Law is in force and the amount is less than ¥50,000, if there are in the house at the time of the succession dependent members of the family who are under 18 years or over 60 years of age or disabled, the amount of the tax is deducted at the rate of ¥1,000 for each of them.

In the case of succession to others, where the succession occurs through death in the territory where the law is in force and the amount is less than ¥30,000, if there are children in the house who are under 18 years of age or disabled, the amount of the tax is deducted at the rate of ¥1,000 for each of them.

Rates of tax are as follows:—

#### Rates of Succession Tax

In the Case of Succession to the Headship of a House

Amount subject to taxation (In yen)	Rate of Tax (%)		
	Direct Descendant	One nominated by the predecessor or under law, or a direct ascendant or adopted husband	One nominated under Article 985 of the Civil Law
Less than 10,000	1.0	1.5	2.0
Over 10,000 to 20,000	1.5	2.0	3.0
" 20,000 to 30,000	2.0	3.0	4.0
" 30,000 to 40,000	2.5	4.0	6.0
" 40,000 to 50,000	3.0	5.0	8.0

Amount subject to taxation (In yen)	Rate of Tax (%)		
	Direct Descendant	One nominated by the predeces- sor or under law, of a direct ascendant or adopted husband	One nominatde under Article 985 of the Civil Law
Over 50,000 to 70,000	5.0	7.0	10.0
" 70,000 to 100,000	7.0	9.0	12.0
" 100,000 to 150,000	9.0	10.0	15.0
" 150,000 to 200,000	11.0	13.0	18.0
" 200,000 to 300,000	13.0	15.0	21.0
" 300,000 to 400,000	15.0	17.0	24.0
" 400,000 to 500,000	17.0	19.0	27.0
" 500,000 to 700,000	19.0	22.0	30.0
" 700,000 to 1,000,000	21.0	25.0	33.0
" 1,000,000 to 2,000,000	24.0	28.0	36.0
" 2,000,000 to 3,000,000	27.0	31.0	39.0
" 3,000,000 to 5,000,000	30.0	34.0	42.0
" 5,000,000	33.0	37.0	45.0

#### In the Case of Succession to a Property

Amount subject to taxation (In yen)	Rate of Tax (%)		
	Direct Descendant	Direct Ascendant or a Spouse	Other
Less than 5,000	2.0	3.0	4.0
Over 5,000 to 10,000	3.0	4.0	6.0
" 10,000 to 20,000	4.0	5.0	8.0
" 20,000 to 30,000	5.0	7.0	10.0
" 30,000 to 40,000	6.0	9.0	12.0
" 40,000 to 50,000	8.0	11.0	14.0
" 50,000 to 70,000	10.0	13.0	16.0
" 70,000 to 100,000	12.0	15.0	18.0
" 100,000 to 150,000	15.0	18.0	21.0
" 150,000 to 200,000	18.0	21.0	24.0
" 200,000 to 300,000	21.0	24.0	27.0
" 300,000 to 400,000	24.0	27.0	30.0
" 400,000 to 500,000	27.0	30.0	33.0
" 500,000 to 700,000	30.0	33.0	36.0
" 700,000 to 1,000,000	33.0	36.0	39.0
" 1,000,000 to 2,000,000	37.0	40.0	43.0
" 2,000,000 to 3,000,000	41.0	44.0	47.0
" 3,000,000 to 5,000,000	45.0	48.0	51.0
" 5,000,000	45.0	52.0	55.0

#### XI. MINE-LOT TAX

The Mine-lot Tax is created by a combination of provisions relative to mining business in the Mine Law, the former Placed Tax Law and the former

Law Relating to Emergency Measures Regarding Taxes, and the fundamentals are almost the same as those contained in the above provisions.

The rates of the tax are as follows:—

- |                            |   |
|----------------------------|---|
| (a) Prospecting mine-lots: | 30 sen per annum per 1,000 tsubo of area.       |
| (b) Operating mine-lots:   | 60 sen per annum per 1,000 tsubo of area.       |
| (c) Placer mine-lots:      | 30 sen per annum per cho of the length of area. |
| Alluvial                   |   |

Non-alluvial

30 sen per annum per 1,000 tsubo of area.

(Tsubo=3.953 sq. yards. Cho=0.007 mile.)

#### XII. BUILDING TAX

The Building Tax is made independent from the former Law Relating to Emergency Taxes for the China Affair, and the provisions are the same as those which were in force formerly.

Not only to restrict building of houses that are not considered urgent in the period of the incident, but also to effect economy in building materials, the Tax on the Building of Houses was created by the Law as amended in 1939.

##### (A) Tax Payers.

Persons who have built (extended or remodelled) the following houses are liable for payment of this tax:—

- Houses used for dwelling.
- Houses used for restaurants, hiring of rooms and similar business.
- Houses in which theatres, moving pictures, dramatic performances, or other plays, sumo (Japanese wrestling), baseball matches, boxing, and other professional matches are played.

##### (B) Tax Rates.

10% of the amount remaining after deducting 5,000 yen from the cost of building.

##### (C) Tax Exemption.

- Houses, the building cost of which does not exceed 10,000 yen.
- Houses built for public services by the Hokkaido, prefectures, cities, towns, villages, and other public corporations.

(c) Barrack houses, apartment houses, dormitories, and houses for temporary use.

##### (D) Collection of Taxes.

The tax is collected when the building of houses has been completed.

#### XIII. TRAVELLING TAX

The Travelling Tax is an extract from the former Law Relating to Emergency Taxes for the China Affair (The Japan Year Book, 1939-40, p. 278).

(1) Tax Payers. Passengers on trains, tram-cars, motor buses and steamships are liable for payment of this tax.

(2) Basis of Assessment and Tax Rates. The tax is imposed according to the classes and kilometrage of travel as follows:—

#### Rates of Travelling Tax Ordinary Tickets

Distance in kilometers	1st Class	2nd Class	3rd Class
(In sen)			
Not exceeding 40	10	5	0
Exceeding 40-80	20	10	2
" 80-120	30	15	5
" 120-160	60	30	10
" 160-300	120	60	20
" 300-500	180	90	30
" 500-800	240	120	40
" 800	300	150	50

#### Commutation Tickets

Ticket for 20 trips:	5 times the rates imposed on ordinary tickets
Ticket for 21-50 trips:	10 times, ditto
Ticket for over 50 trips:	20 times, ditto
Season-Tickets	
Not exceeding 1 month:	5 times the rates imposed on ordinary tickets
Exceeding 1 month to 3 months:	10 times, ditto
Exceeding 3 months to 6 months:	20 times, ditto
Exceeding 6 months:	30 times, ditto

#### Group Tickets

Not exceeding 50 persons:	5 times the rates imposed on ordinary tickets
51-100 persons:	10 times, ditto
101-200 persons:	20 times, ditto
Over 200 persons:	30 times, ditto

#### Reservation of Cars or Cabins

1st and 2nd Classes:	10% of the fare
3rd Class:	5% of the fare

In the case of express tickets, 10 per cent of the fare is charged as the travelling tax.

Those whose ages are under 12 years enjoy a reduction of 50 per cent of the rates for adults, only in the cases of ordinary, commutation or season tickets.

#### XIV. AMUSEMENT TAX

The Amusement Tax is assessed on amounts spent in restaurants, inns, tea-houses, cafés, bars, and other similar places of entertainment. The tax is imposed without regard to the amount spent for food and drinks in cafés or



bars (where more than 6 waitresses are employed) and for the patronage of geisha girls and prostitutes.

In case the establishment does not have the above-mentioned classes of women under its employment, the tax is imposed on the amount exceeding three yen per person.

The rates of the tax are 30 per cent in the former case and 15 per cent in the latter.

#### XV. HOUSE TAX

The House Tax is being collected by the prefectural governments as a local tax, but under the revised tax regulations approved during the current year, it has become a national tax. Since time is required for investigation and preparation the new regulation will not be put into effect by the Government until 1942, and in the meanwhile it will be collected by the local governments.

The term "House" includes dwelling-houses, shops, factories, warehouses and other kinds of independent structures. The House Tax is assessed on each building located within the territory where the Law is in force.

The following buildings are exempt from the tax as they are not rented on a commercial basis: buildings used for public administration or for other public purposes specified by Ordinance; shrines, temples, churches; buildings specially preserved as national treasures, monuments or ornamental structures; buildings used for educational purposes; and other buildings specified by Ordinance.

All buildings liable to the tax are registered in the House Register, which is kept in the custody of the local tax office. The following data are recorded in the register: location, address, classification (nature of construction and floor dimension), rental value of the building and its assessed house tax, name and address of the owner.

The "rental value," which is the owner's net annual income from the rented house, subject to his responsibility for payment of its taxes and depreciation expenses, is not calculated by the owner but is ascertained by the Government under the advice of the Committee, which investigates the "rental value" of the building and revises the assessment every five years.

The rate is 7% of the rental value, including 1.75% national tax; 1.75%

prefectural surtax; and 3.5% municipal, town or village surtax.

The tax is collected by the municipal, town or village office.

A portion levied as national tax indirectly finds its way to local governments according to the Law of Transfer of National Revenue to Local Governments.

#### XVI. TAX ON LIQUORS

The new Tax on Liquors consists of the regulations of the former liquor tax law, modified by an average increase of 30% on different kinds of liquor. The tax is imposed on persons brewing liquor, which is divided into nine varieties, namely, seishu (refined saké), synthetic saké, dakushu (unrefined saké), beer, fruit beverages and other kinds of alcoholic drinks.

The tax is levied separately on the brewing and delivery of liquor. The rates on brewing range from ¥45 to ¥50 per koku (47.95 American gallons), with extra charges according to the alcoholic content; and on delivery, ¥25 to ¥59.30 per koku. No tax is assessed on the delivery of unrefined saké and on the brewing of beer and fruit beverages.

#### XVII. TABLE WATER TAX

Manufacturers of aerated water are liable for the payment of the Table Water Tax.

The rates of the tax are as follows:  
Class I. Tama-ramune (aerated water sold in bottles with round glass stoppers), ¥8.50 per koku.

Class II. Aerated water sold in bottles other than Tama-ramune, ¥20 per koku.

Class III. Aerated water sold in receptacles other than bottles, ¥6 per kilogram of carbonic acid gas used.

#### XVIII. TAX ON BOURSES

Formerly, joint-stock companies were liable for payment of the bourse business tax on the commissions obtained from the total sales and not on the business profits. According to the revised tax law, however, they are liable for payment of the corporation tax and the business tax. Thus the former bourse business tax is renamed "Special Bourse Tax." The rate of the Special Bourse Tax is 12% of the commissions of the total sale.

The rates of the bourse tax per amount of transaction of negotiable papers were simplified, since heretofore the extra charges under the extraordinary tax laws, issued in connection with the present emergency, had been so complex.

The bourse tax is levied as follows:  
(1) In respect to marginal bargains it is levied at the following rates according to the amount of transaction:  
Class I. Local loans and company debentures.

A. Short term 0.6/10,000  
B. Long term 1/10,000

Class II. Negotiable papers.

A. Short term 5/10,000  
B. Long term 7/10,000

Class III. Merchandise 2.5/10,000

(2) Bargains cancelled are not exempted from the tax.

#### XIX. STAMP DUTIES

According to the law Relating to Emergency Taxes for the China Affair, the stamp duty on exchange checks were increased from a fixed duty of 3 sen per issue, irrespective of the face value, to a graduated fixed duty of 3 sen to ¥3 in case the face value does not exceed ¥100. When the face value exceeds ¥100 the rate is ¥3 for each ¥100 or fraction thereof. With the repeal of the emergency law that article of the law was transferred to the Stamp Duties Law, thus retaining the increased rate.

#### XX. TAX ON PLAYING CARDS, ETC.

The tax on ma-jong sets was increased from ¥3 to ¥5 per set; and, on hanagaruta, playing-cards, etc. from 50 sen to 70 sen per pack.

#### XXI. GAME-HUNTING LICENSE TAX

Together with the revision of the Income Tax Law the regulations concerning the game-hunting license were revised. The rates of the tax are classified as follows:

Class I. Includes individuals who are liable for payment of the Composite Income Tax and members of their household. Rate of tax: ¥70.

Class II. Includes individuals not included in Class I, but paying more than ¥20 of the Classified Income Tax and members of their household. Rate of tax: ¥40.

Class III. Others. Rate of tax: ¥18.

#### XXII. SUGAR EXCISE

A thorough revision of the Sugar Excise rate was effected according to the reclassification of the grades of sugar. Formerly, sugar was classified according to color, but hereafter it is to be graded according to the method of manufacture.

The rates of the tax vary from ¥3.50 to ¥12.50 per picul according to the grade of product.

#### XXIII. TEXTILES CONSUMPTION TAX

With the purpose of limiting consumption of textiles the scope of the taxation was enlarged and the rate was increased from 9% to 10% of the value.

#### XXIV. GASOLINE TAX

The Gasoline Tax was increased from ¥13.20 to ¥34.35 per kiloliter, or from about 5 sen to about 13 sen per gallon, an increase of 16%.

#### XXV. ADMISSION TAX

The Admission Tax, which formed part of the now obsolete Law relating to Emergency Taxes for the China Affair, has been made into an independent tax. Formerly a uniform rate of 10% was levied on all admission fees to various performances (plays, moving pictures, exhibitions, games, etc.) This has been changed to a graduated fixed tax ranging from 10% to 30%, according to admission fee, seats, and class of theatre, auditorium, or exhibition ground. No tax is levied on admission fees of less than 19 sen, which was fixed at 23 sen formerly.

#### XXVI. TAX ON COMMODITIES

This is also an extract from the above-mentioned emergency tax law, with modifications on its scope and tax rates. The rates are altered as follows:

Class I (See categorical classification in the Japan Year Book, 1939-40, p.279)

A Increased from 15 to 20%  
B 10% (unchanged)

Class II

A Decreased from 15 to 10%  
B 10% (unchanged)

Class III (1)

5 sen (unchanged)

Transfers and additions of assessable commodities are:

Furs or fur manufactures (only the more luxurious goods) were transferred from Class I (B) to (A). Feather manufactures were added to this category.

Under Class I (B) are added: toys, athletic equipment, electric and gas appliances, expensive fruits, confectioneries, "bonsai," and pet animals.

Under Class II (A) automobiles and toilet articles were transferred from (B). However, under Class II (B) the

description "Toilet articles" was replaced by "Shampoo and washing powders." Black tea, coffee, cocoa, milk, syrups, etc. (excluding alcoholic drinks and table-water) were added to Class II (B).

The commodities of Class III (saké and other alcoholic liquors, etc.) were replaced by "amé" (wheat-gluten); the rate of tax on "amé" is ¥2; and on the other commodities under Class III, ¥2.50.

## STATE FINANCIAL MEASURES

IN 1938-1939

### General Mobilization

**Basic Question in the Long-term Construction** The political and economic fabrics of this country have, with construction of a new order in East Asia in view, undergone considerable changes. The China Affair, following closely on the Manchurian incident, has called for unprecedentedly large-scale military operations in China, and has necessitated a general mobilization of the nation in the prosecution of the long-term warfare and the so-called long-term construction.

The Government budget total ranged between ¥2,200,000,000 and ¥2,300,000,000 before the outbreak of the China Affair, but in 1937, the year in which the China Affair started, the ordinary budget under general account increased to ¥2,914,000,000 jumped to ¥3,594,000,000 in 1938 and to ¥4,836,000,000 in 1939. In the meantime, the extraordinary military budget in connection with the China Affair totalled ¥11,995,000,000. In all these three years, the extraordinary military budget far exceeded the ordinary budget, with government bonds issued in an increasingly large amount to meet the growing deficit of state revenue.

The people had a foretaste of increased taxation in the financial years of 1935 and 1936 when an excess profit tax of ¥40,000,000 and an extraordinary taxation increase of ¥125,000,000 were levied. A special tax in connection with the North China incident totalling ¥29,000,000 was levied in the fiscal year of 1937, and a special tax in connection with the China Affair totalling ¥318,000,000 was levied in 1938, while superimposed on these two was a revised excess profit tax of ¥180,000,000 in

1939. No increase in actual taxation took place from 1926 until the outbreak of the China Affair, then a series of increases in the tax scale and the levy of new taxes took place, with the result that the tax revenue in 1939, including spontaneous increase, was 203 times as large as in 1936. The revenue from such an increase was, however, barely sufficient to pay the interest on the government bonds newly issued, and the Government had to depend on the issue of further bonds for covering not only war expenditure, but the bulk of its ordinary expenditure. The total amount of bonds, scheduled for issue from 1937 to 1939, was 14,364,000,000 yen's worth. In 1937, 2,230,000,000 yen's worth were issued, leaving 1,031,000,000 yen's worth unissued. The scheduled issue for 1938 was ¥0,550,000,000, of which ¥4,530,000 was issued, leaving an unissued balance of ¥2,023,000,000. The year 1939 called for an issue of ¥7,312,000,000 of which ¥5,516,500,000 was issued, leaving 1,795,500,000 yen's worth unissued. The balance sheet of the Bank of Japan shows that the issue of notes stood at ¥2,755,000,000 and ¥3,679,000,000 at the end of 1938 and 1939 respectively, while the Bank's holdings of Government bonds amounted to ¥1,841,000,000 and ¥2,417,000,000 on these dates.

### Material Mobilization Plan

The material mobilization plan had its inception in a Cabinet decision of July 28, 1937, immediately after the outbreak of the China Affair, in favor of the enforcement of a national general mobilization to provide against a possible further aggravation of the situation between Japan and China. On September 2, the same year, an outline

of the plan for national general mobilization was approved by the Government, which paid immediate attention to the reorganization of the patrol system, increased production of hemp, flax, barley and wheat, checking of the upward tendency of prices, control of foreign exchanges, adjustment of the relations between supply and demand of labor and the securing of an even supply of fuel. On October 25 of the same year, a new planning board to supersede the then existing Planning Bureau was set up, its control being extended to cover wider economic fields, including the adjustment of funds, promotion of foreign trade, advancement of sciences and the checking of the upward tendency of prices.

The material mobilization plan for 1938 was worked out on the basis of the calendar year, but that for 1939 was formulated to cover the fiscal year, namely from April 1, 1939 to March 31, 1940. Attention was paid to food-stuffs, including rice, barley, wheat and meat and it stipulated, for the first time, for a preferential order in the acquisition and distribution of goods.

### Raising of War Funds

**Enormous War Fund** In the past two and half years of the China Affair, Japan has spent some twelve milliard yen, or to be more accurate, 11,984,000,000 yen as war funds. Immediately following the outbreak of hostilities with China in July, 1937, the Government appropriated ¥10,000,000 from the second reserve fund toward expenses for sending a contingent to North China. The Government also submitted ¥507,000,000 supplementary estimates to the 71st special session of the Diet in connection with the North China incident. In September 1937, the Government introduced into the 72nd extra session of the Diet an extraordinary military budget bill calling for an expenditure of ¥2,023,000,000. Both were approved by the Diet. The 73rd session in the spring of 1938 and the 74th session in the spring of 1939 passed the ¥4,850,000,000 and ¥4,605,000,000 extraordinary military budgets respectively. In addition to extraordinary military budgets in connection with the China Affair, a large fund has been needed for the execution of rearmament program. Military expenditure in the fiscal year of 1938 totalled ¥6,096,000,000 comprising ¥4,850,000,000 in the extraordinary military

budget and ¥1,246,000,000 in the ordinary military budget. In 1939 it amounted to ¥6,415,000,000, comprising ¥4,605,000,000 in the extraordinary military budget ¥1,150,000,000 in the ordinary or basic military budget and ¥660,000,000 in the supplementary estimates. In view of the fact that modern national defences dictate full preparations in all fields of national activity, it must be observed that some part of the ordinary budget had a bearing on the proposed replenishment of national defences.

### Sources of Revenue for War Funds

As done by the majority of the belligerents of the first World War, the Government has resorted to increased taxation and issue of bonds in order to raise war funds since hostilities started between Japan and China. The revenue, however, from increased taxation has corresponded to a mere fraction of the proceeds of the issue of government bonds. Of the 507,000,000 yen appropriation in connection with the North China incident, approved by the 71st special session of the Diet in 1937, ¥401,000,000 was met by floating bonds, while all the 2,023,000,000 yen appropriation in the extraordinary military budget passed by the extra session of the Diet in September the same year was met by issuing bonds. A special duty in connection with the North China incident was levied in 1937, but the increase in tax revenue in the same fiscal year amounted only to ¥67,000,000. The 73rd session of the Diet in 1938 approved two legislation bills, one for levying a special tax in connection with the China Affair and the other for amending the special or excess profit tax law for the purpose of increasing the tax revenue by ¥314,000,000, of which, however, ¥210,000,000 represented the net increase, because the remaining ¥100,000,000 was expected from the special tax in connection with the North China incident, which had been levied in the previous fiscal year. In the fiscal year 1939-40, a large-scale increase in taxation was effected, including the special profit tax, commodity tax, building tax, amusement tax and restaurant tax. The increase in revenue from those taxes was expected to be ¥196,500,000 per annum, but ¥183,000,000 in the fiscal year 1939-40.

The revenue from the issue of government bonds in the financial year 1938-39 totalled ¥5,628,000,000 including

¥1,008,000,000 which met the deficit of revenue in the ¥3,514,000,000 ordinary budget under general account, and ¥4,453,000,000 which was earmarked for the extraordinary military expenditure. The budgets for the fiscal year of 1939-40 called for the issue of government bonds to the amount of ¥5,931,000,000 including ¥1,082,000,000 to meet a deficit of revenue in the ordinary or basic budget, ¥730,000,000 to meet the Army and Navy supplementary estimates under general account, ¥3,924,000,000 to meet the extraordinary military budget in connection with the China Affair and ¥199,000,000 to meet the civil supplementary estimates. Of the ¥4,850,000,000 extraordinary military budget in connection with the China Affair in the fiscal year 1938-9, 91 per cent or 4,453,000,000 was raised by floating bonds; of the ¥4,605,000,000 extraordinary military budget in the fiscal year 1939-40, 85 per cent or ¥3,920,000,000 was raised by issuing bonds; of the ¥11,995,000,000 extraordinary military expenditure from the beginning of the China Affair, 90 per cent or ¥10,797,000,000 has been raised by floating bonds. The bulk of those huge government bond issues were underwritten by the Bank of Japan. Up to the end of the fiscal year 1938-9 from the beginning of the China Affair, government bonds were actually placed in the market to the amount of ¥12,277,000,000, including ¥9,202,000,000 in connection with the China Affair and ¥1,874,000,000 to meet a deficit of revenue in the ordinary budgets. Of them, ¥1,090,546,000 has been sold by the Post Offices ¥2,630,000,000 underwritten by the Deposits Bureau, ¥100,000,000 by a banking syndicate and the remaining ¥8,456,453,000 by the Bank of Japan.

#### Acceleration of Absorption of Bonds

Compulsory holding of government bonds may be one of the most effective measures to facilitate absorption of bonds, but the Government has not seen it opportune to resort to such a step. In enforcing Article 11 of the National General Mobilization Law, the Government has refrained from invoking compulsory subscription to bonds, but instead has endeavored to create an economic environment under which financial institutions and individuals will voluntarily subscribe to the bonds. The following measures have been

taken by the government to accelerate the absorption of bonds:

#### 1. Adjustment of Movements of Fund:

The Government enacted the Foreign Exchange Control Law to prevent the flight of capital to foreign countries. At the same time, the Emergency Fund Adjustment Law was invoked to place restrictions on the operation of funds in the non-urgent field and to check the upward tendency of prices as well as the tendency to invest in goods. These measures have been further tightened, because they are essential to the accelerated absorption of government bonds as well as for the raising of funds for the expansion of industrial production, strengthening of importing power and maintaining the nation's living standard.

#### 2. Financial Adjustment:

(a) Issue of Negotiable Instruments: Law No. 84, promulgated in 1937 provides that all military funds needed in connection with the China Affair be under "special account for the extraordinary military expenses" and that the period from the start of the China Affair till its termination be regarded as one fiscal year for that purpose. This legislation was amended by the 73rd session of the Diet so as to authorize the Government to borrow funds for a short time or to issue negotiable instruments, which opened a way for the Government to issue short-term bills so as to avoid pressure on financial circles in case the financial market finds it difficult to subscribe to government bonds, due to running short of long-term funds.

#### (b) Expansion of the Underwriting Power of the Bank of Japan:

The equilibrium of financial circles would be disturbed, if quick absorption of government bonds were forced on them. Therefore, it is most advisable to place bonds in the market at a time when the market is most suitable. For this purpose the underwriting power of the Bank of Japan must be expanded. Consequently, the Government increased the Bank's note issue by ¥700,000,000 on April 1, 1938 and again by ¥500,000,000 on April 1, 1939. Thus, the Bank is empowered to issue notes to the amount of ¥2,200,000,000. As 501,000,000 yen's worth of notes are covered by the gold reserve, the total note issue of the bank guaranteed by the Government will be ¥2,701,000,000.

When this level is crossed, the bank's over-issue will start. This measure has considerably expanded the underwriting power of the bank.

On the other hand, old notes of the bank, totalling ¥40,480,000, were withdrawn from circulation at the end of March 1939, thus reducing its note issue by that amount.

#### (c) Advance Notice of Payments by the War Office:

In view of the big effect caused by payments of large extraordinary military payments in connection with the China Affair on the financial market, it was arranged early in April 1939 between the War Office and the Bank of Japan that the Accountants' Department of the War Office give the Bank of Japan a day's notice in case total payments by the War Office in a day are to exceed ¥1,000,000.

#### 3. Low Interest Policy:

Maintenance of the market price of government bonds is absolutely necessary for making investments in them safe. This is the reason why the Government has worked out its bond policy in consideration of the credit situation. It also accounts for the pledge given by the Post Office to purchase back bonds sold by itself to the public. The Bank of Japan is also making purchases from time to time, in case of necessity, to maintain the market quotations of government bonds. At the same time, the Government has been consistently pursuing a low interest policy based on the interest on bonds in an effort to popularize them, which policy has not only served indirectly to maintain the market quotations of bonds, but positively conduced to investment in them by reducing the cost of securing funds from the financial institutions.

The lowering of the interest rate, enforced by the Bank of Japan on March 12, 1939, and a basic agreement concluded between the financial institutions affiliated with the co-operative societies and the provincial banks regarding the interest rate and control of the market for floating bonds and debentures, with the Japan Industrial Bank as driving force, were both carried out as part of the low interest policy.

#### 4. Popularization of Government Bonds:

Government bonds may best be popularized by issuing bonds in smaller denominations, simplifying formalities

of subscription and making investments in bonds more attractive; for which purposes the Government has taken the following measures:

(a) In view of better results than expected being achieved through the sale of bonds through the Post Office in the previous year, the Government increased the amount of small denomination bonds to ¥600,000,000 in the fiscal year 1938-39.

(b) Of the government bonds underwritten by the Bank of Japan, 200,000,000 yen's worth of bonds were offered to the public through the Post Office in the fiscal year 1938-39.

(c) The smallest denomination had hitherto been 25 yen, but this was reduced to 10 yen in 1938, the bonds being placed on the market on August 22 when 3,000,000 yen bonds were offered to the public. Starting with the fiscal year 1939-40, the 10 yen bonds were exempted from the transfer tax.

(d) In the fiscal year 1939-40, the law governing the operation of the special account for the sinking fund was amended for the purpose of empowering the Government to issue discount bonds.

#### 5. National Thrift Drive:

To facilitate the absorption of government bonds, the power of financial institutions to invest in government bonds must be fostered. On April 19, 1938, therefore, the Government decided to take appropriate measures for the accumulation of capital with a view to facilitating the absorption of bonds to be issued in the future and also to securing an even supply of funds for the expansion of industrial production. In accordance with this government decision, a nation-wide thrift drive was launched for the purpose of increasing national savings by ¥8,000,000,000 during the fiscal year of 1938-39, of which sum ¥5,000,000,000 was to be applied to the purchase of government bonds and ¥3,000,000,000 to the expansion of industrial production. The 8,000,000,000 yen level was chosen in view of the fact that the annual increase in national savings increased by ¥3,000,000,000 before the outbreak of the China Affair and also that the Government was spending ¥5,000,000,000 in connection with the China Affair in the fiscal year 1938-39.

To make the nation-wide thrift campaign a successful one, the Government took the following measures:

(1) **Organization of a Thrift Drive:** The Government set up a National Thrift Encouragement Board under the control of the Finance Minister as the nerve center of the national thrift drive. At the same time, a National Thrift Encouragement Commission was appointed under the supervision of the Finance Minister. The Commission was to make recommendations to the Board, and in pursuance of these recommendations and in co-operation with the Central League of National Spiritual Mobilization and public organizations in the political, economic and educational field, the National Thrift Encouragement Board started a nation wide thrift campaign. Late in June 1938, a "thrift week" was observed throughout the country under the guidance of the Board, while an "economic war" week was also observed.

(2) **Organization of Savings Associations:** Every factory, every business corporation and every administrative unit has been urged to organize a savings association for the purpose of making fixed deposits in banking institutions.

(3) **Adjustment and strengthening of Savings Organs:**

(a) The law governing the post-office life insurance system has been amended so as to increase the maximum insurance amount from ¥450 to ¥700.

(b) The law governing the securities business has been amended for the purpose of making investments in securities safer, by tightening control over dealers in securities.

(c) The law governing the operation of the "mujin" or mutual credit association system has been amended for the purpose of tightening control over mutual credit associations and also of facilitating their amalgamation.

(d) An Imperial ordinance has been promulgated tightening control over life insurance companies.

(e) Ministerial regulations have been

issued by the Ministry of Finance, lifting restrictions on the establishment of branches by banking institutions with a view to facilitating popular deposits in the banks.

(f) The Government has further strengthened its policy of amalgamating small provincial banks into bigger ones.

4. **Issue of Savings Bonds:** The Government authorized the Japan Hypothec Bank to issue savings bonds with a face value of ¥7.50 at ¥5, the first issue of which, totalling ¥15,000,000 was made on October 5, 1938. Legislation increasing the maximum issue of the savings bonds to ¥400,000,000 in the fiscal year 1939-40 passed the 74th session of the Diet in 1939.

Thanks to these measures, the fiscal year 1938-39, starting on April 1, 1938 and ending on March 31, 1939, witnessed an increase in national savings by over ¥7,330,000,000, as revealed by the Finance Ministry's official figures. Of the 5,630,000,000 yen's worth of bonds floated by the Government from the beginning of the China Affair in July 1937 up to March 31, 1939, the Bank of Japan underwrote 4,680,000,000 yen's worth, of which 3,500,000,000 yen's worth were sold to the public. These, coupled with those underwritten by the Deposits Bureau, and the banking syndicate, represented 80 per cent absorption of the government bonds issued. In accordance with recommendations made by the National Savings Encouragement Commission at the end of 1938, it was decided by the Government to increase national savings during the fiscal year 1939-40 by ¥10,000,000,000 of which ¥4,000,000,000 was to be appropriated toward expansion of industrial production and ¥6,000,000,000 earmarked for absorption of government bonds. The actual result was an increase by ¥9,503,000,000 by the end of February 1940. The goal for 1940-41 is fixed at ¥12,000,000,000.

## CHAPTER IX

### BANKING AND THE MONEY MARKET

The modern system of banking in Japan dates from the promulgation of the National Banks Regulations in November 1872. Banks of every description have since then been created in quick succession, and the actual number of banks, including those of Chosen and Taiwan, was 455 at the end of 1938. These banks are divided by their nature into two classes, namely, those which have been established under the general banking laws, and make it their object to facilitate the general circulation of capital, and those which, having been created under special banking laws, have special objects and functions.

In 1872, the Government promulgated the National Banks Regulations, which were modelled on the National Bank Act of the United States of America, and provided for the conversion of the national bank notes into specie. An amendment was made in 1883 in the National Banks Regulations, by which the privilege of issuing notes was taken away from the national banks and granted exclusively to the newly-created Bank of Japan, and suitable measures were taken for the redemption of the national bank notes.

Meanwhile, private banks and bank-like companies which did not come within the purview of the National Banks Regulations had increased in number, until their total number reached 954 in 1884, and there were no general provisions to control such banks and companies beyond their subjection to the control of the local authorities. To bring them under more efficient control, the Ordinary Banks Regulations and the Savings Banks Regulations were promulgated in 1890 and put in force three years later.

Side by side with these private banks, the national banks acted from the first as financial institutions of general trade. When the terms of their respective charter expired, most of them continued business as private banks, and by February 1890, national banks ceased to exist, so that there is no longer any difference in economic functions and

legal nature between the former national banks and other private banks, all of which are now subject to the general banking laws.

**Ordinary Banks** Ordinary banks are placed under the control of the Minister of Finance, whose license is required for the establishment of a new bank or the amalgamation of existing banks; he is also empowered to order at any time investigation into the business condition and property of a bank. Every bank must every half-year prepare and present to the Minister of Finance a balance-sheet and other business reports, the former to be published in newspapers or by some other means. Provisions are also made in the Regulations with regard to business hours and holidays.

Though a few amendments had been made from time to time since its enactment, the greater part of the Bank Regulations became obsolete and inadequate on account of the rapid progress in the financial and economic conditions of the country. A new act therefore was promulgated on March 29, 1927 in place of the old legislation, and was put into effect on and after January 1, 1928.

The features of the new act are as follows:

(a) Banks as defined in the Banking Act are, in principle, institutions which carry on operations of giving as well as of receiving credits.

(b) Participation in banking business is confined to joint stock companies having at least the minimum capital prescribed by the Act.

(c) The use of the word "Bank (Ginkō)" in the trade name is made compulsory for every bank, but such use by other persons is not allowed.

(d) Banks are strictly prohibited from engaging in business activities other than those prescribed in the Act.

(e) The minimum amount of the reserve fund required by the Commercial Law is increased in the case of banks.

(f) A new audit system is established.

(g) Managers or managing directors are not allowed to participate in the management of other companies at the same time without sanction by the Minister of Finance.

(h) The Court of Justice shall exercise closer supervision over the liquidation of banks.

(i) The Minister of Finance is empowered to make necessary provisions respecting banks with head offices outside the area, desirous of doing banking business within the area where the Act is in force.

(j) The power of the Minister of Finance respecting the cancellation of business licenses and the giving of various sanctions to banks is greatly increased and the penalties for illegal acts by banks shall be made heavier.

**Savings Banks** A Savings Banks Law enacted in 1921 superseded the Savings Banks Regulations, and was put in force from January 1, 1922. Certain amendments were, however, made in this law in 1931. Essential points of the law are as follows:

(1) receiving deposits at compound interest;

(2) receiving sums of less than ¥10 as deposits at one time;

(3) receiving deposits periodically or several times during a certain period by fixing beforehand the time of repayment, or

(4) receiving money periodically or several times during a certain period under promise to pay a certain sum of money at a certain period.

Besides, savings banks are also authorized to take up subsidiary business, as

(a) receiving fixed deposits;

(b) receiving valuable articles for custody;

(c) collection of debts;

(d) receipt and payment of money as treasurers of public corporations or industrial associations;

(e) receiving deposits on demand from public corporations or industrial associations;

(f) sale on the instalment plan of national bonds, local bonds, and debentures of corporations created under special laws; and

(g) transacting business in connection with the issue of national bonds and other bonds and debentures referred to above or the payment of their principal and interest.

While no savings bank can carry on business other than that mentioned above, no ordinary bank can carry on the proper business of savings banks. Savings banks shall not carry on transactions requiring the cashing of cheques against the deposits of (1) and (2) mentioned above under the head of proper business.

A savings bank must be a joint-stock company with a minimum capital of ¥500,000 and must obtain a license from the Minister of Finance.

Savings banks are not permitted to invest their funds in ways other than the following:

(1) to subscribe for, take up or purchase national and local bonds and debentures or stocks approved by the Minister of Finance;

(2) to subscribe for, take up or purchase securities issued in Manchoukuo approved by the Minister of Finance;

(3) to make loans on pledge of national bonds and other securities referred to above;

(4) to make loans on mortgage of real estate;

(5) to make loans to a depositor up to the amount of his deposit;

(6) to make loans up to the amount of the deposit to a person who deposits money periodically or several times during a certain period under promise to pay a certain sum of money at a certain time;

(7) to make loans up to the amount already paid in to a person who receives the securities under a contract made with respect to the sale of securities on the instalment plan;

(8) to make loans redeemable within a period of one year to prefectures, cities, towns, and villages;

(9) to make loans redeemable by instalments within a period of two years;

(10) to deposit money with banks or the Deposit Funds of the Ministry of Finance or the post office;

(11) to deposit money or securities with trust companies in accordance with the Ordinance issued by the Minister of Finance; and

(12) to purchase bills accepted by banks or trust companies.

Further restrictions on business are as follows:

(1) Savings banks shall not own or take as security for loans or deposits more than one-fifth of the total stock of a company.

(2) Loans to a person shall not exceed one-tenth of the total amount of the paid-up capital and reserve fund of the bank.

(3) The total amount of loans on mortgage of real estate or the total amount of loans redeemable within a period of one year to prefectures, cities, towns and villages shall not exceed the total amount of the paid-up capital and reserve fund of the bank.

(4) The total amount of loans redeemable by instalments within a period of two years shall not exceed one-fifth of the paid-up capital and reserve fund. In this case, loans to a person shall be less than ¥1,000 and reliable guarantees of more than two persons are required.

(5) The total amount of deposits with any bank and of bills purchasable as accepted by the said bank shall not exceed one-tenth of the amount of the deposits received and one-fourth of the paid-up capital and reserve fund of the said bank.

(6) A regulation given under (5) above is applicable correspondingly to property deposited with trust companies and the total amount of bills purchas-

able as accepted by the trust companies.

Savings banks are obliged to deposit an amount of Government bonds with the Public Deposit Bureau of the Ministry of Justice as guarantee for repayment of the deposits, such bonds to be not less than one-third of the deposits. Savings banks may, however, replace these bonds with the deposits with the Deposit Funds of the Ministry of Finance.

When a savings bank is unable to meet its liabilities with the assets, the directors are jointly under unlimited liability as regards the deposits received before the registration of resignation, and this liability continues for two years after such registration.

**Special Banks** The above statements refer to ordinary banks and savings banks, but there exist in addition such special banks as the Bank of Japan, the Yokohama Specie Bank, the Hypothec Bank of Japan, Agricultural and Industrial Banks, the Industrial Bank of Japan, the Hokkaido Colonization Bank, the Bank of Taiwan and the Bank of Chosen.

#### ACCOUNTS OF BANKS IN THE EMPIRE

(In millions of yen)

At the end of the year	1930	1931	1932	1933	1934	1935	1936	1937	1938
Number of banks	913	811	663	637	597	578	546	488	455
Paid-up capital	1,777	1,738	1,713	1,688	1,662	1,637	1,593	1,521	1,490
Reserves	1,010	981	998	1,002	1,051	1,099	1,134	1,149	1,201
Deposits	12,153	11,617	11,977	12,582	13,303	14,286	15,360	17,148	21,396
Securities	5,002	4,983	5,550	6,310	6,906	7,632	8,289	8,963	11,844
Bank notes	1,570	1,487	1,610	1,745	1,887	2,061	2,157	2,697	3,217
Debentures	2,083	2,154	2,291	2,128	1,975	1,919	1,840	2,305	2,578
Debt	1,653	1,820	1,666	1,731	1,734	1,627	1,639	1,537	1,133
Bullion and foreign money	638	261	239	246	299	306	354	814	—
Net profit	201	229	233	254	297	306	308	470	191
Dividend	126	112	110	104	104	103	103	100	101

#### BANKS IN JAPAN PROPER

At the end of each year  
(Compiled by the Ministry of Finance)

(In ¥1,000)

	1935	1936	1937	1938
Number	563	515	456	423
Authorized capital	2,264,813	2,189,966	2,084,425	2,043,155
Paid-up capital	1,546,960	1,503,011	1,426,825	1,397,077
Reserve fund	1,069,242	1,100,097	1,111,042	1,158,117

for custody articles of value, such as gold, silver, and other precious metals and documents; and

(6) To make advances on current account or loans for fixed periods on security of Government bonds, Treasury bills, and other securities guaranteed by the Government.

The Bank is, in addition, entrusted with the management of the Treasury receipts and disbursements.

In August 1937, there were promulgated the Gold Reserve Valuation Law and other laws regarding the gold reserve of the Bank of Japan. In respect of the gold coins and bullion held by the Bank as the reserves for exchange against convertible bank notes, valuation has hitherto been made at the rate of ¥1 per 750 milligrams of fine gold in accordance with the provisions of the Coinage Law. As, however, owing to a substantial advance in the price of gold in recent years, the valuation made at such rate could not indicate the actual position of the gold reserve of the Bank of Japan, a decision was taken to increase the value of gold applied to the reserves to the approximate level of the current international value. It was, however, recognized that in the world situation when the currencies of various countries are still unstabilized, the time is not yet opportune for changing the value of Japanese currency by amendment of the Coinage Law, and consequently, a step has provisionally been taken to alter the value of gold applied to the reserves, notwithstanding the provisions of the Coinage Law, by making valuation at the rate of ¥1 per 290 milligrams of fine gold. At the same time, both the Bank of Japan's obligation (as provided for in the Convertible Bank Note Regulations) to convert the bank notes into gold coins and the Government obligation (as provided for in the Coinage Law) to comply with the requirements of persons who bring gold bullion for the minting of gold coins have been suspended for the time being. It should further be noted that not only has revaluation been made in the same manner of the gold coins

and bullion held by the Bank of Chosen and the Bank of Taiwan as the reserves for exchange against convertible bank notes, but the Government has also authorized these two Banks to transfer such gold in whole or in part to the Bank of Japan for the purpose of securing the centralization of gold holdings into the Bank of Japan. The profits obtained by the Bank of Japan from such revaluation have been paid to the Government, and with the amount so paid the Government has created a Gold Fund Special Account. Certain portion of this fund is applied to expenses necessary for the increase of gold production, while certain portion is used for the purchase of gold bullion or investment in national bonds. It was in September 1937, that investments in industrial debentures were allowed to be made from this Account. Another law, namely, the Gold Production Law was enacted to secure the centralization of gold holdings and the increase of gold production, whereby the Government is authorized to purchase new gold with the funds of the Gold Fund Special Account, and as a result the Law concerning the Purchase of Gold by the Bank of Japan has been abrogated.

In consequence of the aforesaid revaluation and other factors, the gold reserve of the Bank of Japan expanded to some 800 million yen. In view, however, of the Government policy of increasing the exports from the country by facilitating the importation of certain materials used for the manufacture of export goods, and also of the existing position of exchange funds, the Bank of Japan created on July 23, 1938 the Special Funds for Foreign Exchange with 300 million yen released from its holding of gold bullion, and deposited the fund with the Yokohama Specie Bank. This fund is, as mentioned above, made available for financing imports when necessary, and is replenished with the proceeds of export bills. When it becomes unnecessary to maintain this fund, it will at any time be restored to the gold reserve of the Bank of Japan.

#### THE BANK OF JAPAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1932	60,000	45,500	108,390	385,143	819,179	33,256	5,850	13.0%
1933	60,000	45,000	110,140	370,049	880,833	50,379	4,500	10.0

#### THE BANK OF JAPAN

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1934	60,000	45,000	112,740	335,891	946,285	62,811	4,500	10.0%
1935	60,000	45,000	114,090	393,248	960,642	50,649	4,500	10.0
1936	60,000	45,000	115,390	345,546	931,195	47,646	4,500	10.0
1937	60,000	45,000	116,040	423,977	630,636	41,077	4,500	10.0
1938	60,000	45,000	116,780	416,751	511,642	45,145	4,500	10.0

#### REPORT OF THE BANK OF JAPAN FOR 1939

##### Balance Sheet

(In yen)

	1939 First Half	1939 Second Half
<b>LIABILITIES</b>		
Notes issued	2,522,616,774.000	3,679,030,531.000
Government deposits:		
Current account	137,086,469.298	36,621,828.616
Fractional Gov't		
Note account	137,947,748.750	248,766,105.950
Other	248,588,386.618	261,553,370.077
Current accounts	523,622,604.466	546,941,304.643
Remittances	137,883,793.000	161,788,828.710
Due to other banks	4,760,168.650	7,146,688.810
Suspense receipts	86,985.670	282,392.020
Taxes unpaid	82,018,900.630	99,052,190.420
Reserve for sundry expenditure	238,618.130	915,536.760
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	16,052,000.000	16,052,000.000
Reserve fund	5,405,000.000	5,685,000.000
Capital subscribed	117,330,000.000	118,280,000.000
Dividends unpaid	60,000,000.000	60,000,000.000
Profit brought forward from last half-year	2,326.480	3,116.480
Net profit for the current half-year	12,960,455.006	13,683,619.847
Total	15,679,805.691	16,366,353.147
	3,498,657,491.923	4,725,227,561.827
<b>ASSETS</b>		
Advances to Government	2,924,756.250	2,924,756.250
Advances on foreign bills	58,442,561.760	254,777,594.410
Advances on current accounts	156,334.220	232,912.450
Bills discounted	88,739,307.510	478,065,461.260
Bills discounted, Law No. 55 of 1927	356,998,340.260	332,050,217.540
Deposits	30,118,672.600	29,978,672.600
Government bonds	1,758,096,519.820	2,417,455,032.730
Bullion		
Gold coin and bullion	501,287,124.120	501,287,188.770
Silver bullion	14,544.300	14,544.300
Special fund for foreign exchange	501,301,608.420	501,301,733.070
Agencies accounts	300,000,000.000	300,000,000.000
Agencies accounts, specified	101,468,610.451	105,413,448.720
Foreign agencies accounts	85,440,097.920	92,329,526.460
Suspense payments	39,657,213.368	52,139,680.727
Bank premises	14,689,198.810	11,376,115.850
Capital unpaid	21,407,732.364	21,274,456.930
Cash items on Government account	15,000,000.000	15,000,000.000
Cash on hand	79,243,247.615	75,830,025.795
Total	44,973,230.555	35,077,927.045
	3,498,657,491.923	4,725,227,561.837

	1939 First Half		1939 Second Half	
<b>PROFIT AND LOSS ACCOUNT</b>				
Dr.				
To Expense, taxes, interest, etc.		33,316,884.361		42,053,994.770
To Balance appropriated:				
Dividend at the rate of 10 per cent per annum	2,250,000.000		2,250,000.000	
Reserve fund	950,000.000		1,200,000.000	
Payments to the Government	11,236,700.850		11,807,343.550	
Bonus and allowances	240,000.000		240,000.000	
Reserve for settlement of accounts re Bills discounted, Law No.55 of 1927	280,000.000		299,000.000	
Balance carried forward	13,683,619.847	28,640,320.697	14,253,629.444	30,049,972.994
<b>Total</b>		61,957,205.058		72,103,967.764
Cr.				
By Gross profits for the half-year		48,996,750.052		58,420,347.917
By Balance brought forward from last half-year		12,960,455.006		13,683,619.847
<b>Total</b>		61,957,205.058		72,103,967.764

**Yokohama Specie Bank**  
(Yokohama Shokin Ginko)

The Yokohama Specie Bank is an organ charged with the special task of affording financial facilities for foreign trade through its conduct of the foreign exchange business (See pp. 328, 329, Japan Year Book, 1936).

The Bank may buy or sell public bonds, gold and silver bullion, and foreign coins, if so required by the condition of its business. It may also be entrusted with matters relating to foreign loans and with the management of public money for international account.

The Yokohama Specie Bank has its head office in Yokohama. There are

branches, sub-branches, or agencies in the following places: Kobe, Nagasaki, Nagoya, Osaka, Moji, Tokyo, Marunouchi (Tokyo), Otaru; Hankow, Peking, Shanghai, Tientsin, Tsingtao, Canton; Hsinking, Dalren, Harbin, Fengtien, Shaohsikwan (Fengtien), Yingkow; Hamburg, London, Berlin, Paris; Los Angeles, New York, San Francisco, Seattle, Honolulu; Rio de Janeiro; Bombay, Calcutta, Karachi; Batavia, Semarang, Sourabaya; Alexandria, Bangkok, Hongkong, Manila, Rangoon, Singapore and Sydney.

**THE YOKOHAMA SPECIE BANK**

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1932	100,000	100,000	122,260	644,054	391,925	23,387	10,000	10.0%
1933	100,000	100,000	124,852	558,689	368,864	27,517	10,000	10.0
1934	100,000	100,000	127,890	551,385	369,274	30,248	10,000	10.0
1935	100,000	100,000	131,174	621,594	346,157	32,914	10,000	10.0
1936	100,000	100,000	134,554	553,372	381,249	34,656	10,000	10.0
1937	100,000	100,000	137,993	588,207	383,133	34,480	10,000	10.0
1938	100,000	100,000	140,695	1,276,096	394,739	33,356	10,000	10.0

**Assets and Liabilities of The Bank for 1939**

**Balance Sheet**

(In yen)

**Liabilities**

	1939 First half	1939 Second half
Capital subscribed	100,000,000	100,000,000
Reserve funds	138,400,000	139,650,000
Redemption fund for loans	3,455,311	3,334,584
Bank debentures	273,357	255,721
Deposits, etc.	1,565,469,843	1,937,441,302
Bills rediscounted, sold; Suspense receipts, Due to other Banks, etc.	526,286,873	892,572,508
Dividend unpaid	8,295	8,560
Balance from last account	10,433,793	10,903,737
Profit for the half year	6,719,943	6,663,701
<b>Total</b>	2,351,047,418	3,090,830,116

**Assets**

Cash account	218,227,028	307,376,828
Cash on hand	71,693,605	78,096,952
Deposits in other banks	146,533,422	229,279,875
Bonds and shares	880,386,844	972,851,737
Advances and Bills discounted	569,324,324	752,852,850
Bills purchased and Due from other banks	645,255,207	1,038,184,885
Bullion and foreign money	18,518,213	451,844
Land and buildings	19,335,799	19,111,968
<b>Total</b>	2,351,047,418	3,090,830,116

**Appropriation of Profit**

Profit for the half year	6,719,943	6,663,701
Balance brought forward from last account	10,433,793	10,903,737
<b>Total</b>	17,153,737	17,567,438
Reserved	1,250,000	1,250,000
Dividend (10% p.a.)	5,000,000	5,000,000
Balance carried forward to next account	10,903,737	11,317,438

**The Hypothec Bank of Japan**  
(Nippon Kwangyo Ginko)

With an authorized capital standing at upwards of ¥141,000,000 and advances reaching the neighborhood of ¥1,313,000,000, the Hypothec Bank of Japan is now, in fact as well as in name, the central organ of the nation in making loans on mortgage of immovable property.

The Hypothec Bank is authorized, when at least one-fourth of its nominal capital has been paid up, to issue mortgage debentures to an amount not exceeding fifteen times its paid-up capital, provided the amount of such debentures shall not exceed the total amount of outstanding loans redeemable by annual instalments or at a fixed time and the

debentures of the Agricultural and Industrial Banks, Hokkaido Colonization Bank, Central Chest for Industrial Associations and Chosen Industrial Bank in hand. These mortgage debentures must be redeemed by means of drawings taking place at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments and the debentures of the above-mentioned banks in hand. In case any loans redeemable by annual instalments are repaid before they are due, the Bank may with the amount so repaid purchase and redeem its mortgage debentures. The Temporary Fund Adjustment Law has authorized the Hypothec Bank of Japan to issue savings certificates to the amount of 200 million yen.

## THE HYPOTHEC BANK OF JAPAN

At the end of each year  
(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Mortgage Debentures
1932	108,750	149,516	1,167,763	20,327	8,463	10.0%	915,683
1933	108,750	145,888	1,094,070	19,961	8,463	10.0	852,806
1934	111,755	136,091	1,046,809	20,345	8,614	10.0	797,481
1935	111,775	141,959	969,081	20,514	8,765	10.0	729,394
1936	115,275	148,517	1,020,218	20,839	8,940	10.0	715,390
1937	140,920	257,361	1,312,839	24,916	11,680	10.0	959,447
1938	141,920	279,836	1,221,763	25,164	11,780	10.0	901,098
1939	141,920	303,066	1,224,123	17,673	11,779	10.0	850,816

**Agricultural and Industrial Banks**  
(Noko Ginko)

The Agricultural and Industrial Banks are local financial institutions for furnishing long-term loans at a low rate of interest on security of immovable property and are most useful through their connection with their central institution, the Hypothec Bank of Japan. But with a view to affording further financial facilities to local districts, the law concerning the amalgamation of the Hypothec Bank and the Agricultural and Industrial Banks was enacted in 1921. By virtue of this law the former was allowed to take over the business of the latter on condition that it establish its branches in places where head offices and branches of the latter were in existence. The Agricultural and Industrial Banks are joint-stock companies, each having a capital of not less than ¥200,000. The principal business of these banks is the same as that of the Hypothec Bank of Japan. These banks may become agents for the Hypothec Bank or other Agricultural and Industrial Banks. When acting as agents for loans made by the Hypothec Bank, Agricultural and Industrial Banks may guarantee to the bank the solvency of the debtors. They may take charge of the receipt and disbursement of the

funds of prefectures or cities. They are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an amount not exceeding fifteen times the paid-up capital. Such debentures, however, must not exceed the amount remaining after the deduction of the amount of pledges given for money borrowed from the Hypothec Bank from the total amount of outstanding loans redeemable by annual instalments and at a fixed time. The face-value of agricultural and industrial debentures which was originally not less than twenty yen has been reduced to ten yen and upward; and when debentures of not more than twenty yen face value are to be issued, such issue may be effected by sale. For this purpose a term must be fixed for the sale, and the amount sold within that term is taken as the amount of issue. These agricultural and industrial debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments except that part thereof given as security to the Hypothec Bank as mentioned above. There were 5 of these banks in existence throughout the country at the end of 1938.

## AGRICULTURAL AND INDUSTRIAL BANKS

At the end of each year

(In ¥1,000)

Year	No. of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Deben- tures
1932	19	88,900	154,383	699,170	16,773	7,432	9.2%	506,129
1933	19	88,900	162,775	672,893	17,659	7,449	9.2	496,673
1934	17	84,500	166,996	622,049	18,586	7,306	9.2	449,395
1935	17	84,500	167,834	602,155	19,196	7,162	9.2	429,543
1936	16	77,500	170,051	520,489	19,713	6,760	9.1	356,356
1937	6	22,000	65,593	183,671	5,854	1,631	8.0	135,236
1938	5	20,000	63,894	161,655	4,843	1,435	7.8	115,480

**The Industrial Bank of Japan**  
(Nippon Kogyo Ginko)

The primary function of the Industrial Bank of Japan is to underwrite national and prefectural bonds and company debentures and make loans on security of foundations created as prescribed by law.

The Bank is authorized to issue debentures to an amount not exceeding ten times its paid-up capital, provided, however, that the amount of such debentures shall not exceed the total amount of outstanding loans, discounted bills, and national or local bonds, company debentures and shares and gold and silver bullion in hand. Only in the event of funds being required for enterprises

for public benefit undertaken in a foreign country, the Bank may, with the approval of the Minister of Finance, issue debentures irrespective of the above-mentioned restriction.

With a view to facilitating the supply of abundant funds to important industries, the Temporary Fund Adjustment Law enacted following the outbreak of the China Affair has authorized the Industrial Bank of Japan to issue, beyond the maximum mentioned above, industrial debentures not exceeding 1,000 million yen during the period in which the Law is in force. The Government has also been authorized to assume liability for the service of the industrial debentures with a total face-value of ¥1,000 issued.

## THE INDUSTRIAL BANK OF JAPAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Capital Fund in Trust	Net Profit	Dividend	Rate of Dividend	Deben- tures
1932	50,000	56,047	476,090	199,982	6,638	3,000	6.0%	404,041
1933	50,000	59,236	408,177	154,645	7,800	3,000	6.0	323,840
1934	50,000	59,736	369,429	860,085	7,810	3,000	6.0	290,393
1935	50,000	99,614	393,353	940,085	6,863	3,000	6.0	279,659
1936	50,000	269,456	506,504	1,200,635	6,878	3,000	6.0	244,477
1937	50,000	279,646	932,243	1,408,835	6,909	3,000	6.0	640,868
1938	50,000	288,934	1,169,559	1,568,335	7,940	3,000	6.0	872,138
1939	200,000	402,672	1,367,412	—	9,508	4,353	6.0	866,520

**The Hokkaido Colonization Bank**  
(Hokkaido Takushoku Ginko)

The Hokkaido Colonization Bank was established with the object of supplying capital for enterprises for colonizing and developing Hokkaido and Karafuto (the southern half of Saghalien), and especially for the purpose of facilitating the supply of capital by making loans on security of agricultural products and company shares and debentures as well as making long-term loans at low interest rate on immovable property. The bank had at first a capital of ¥3,000,000 but on April 23, 1922 it was increased to ¥20,000,000, of which ¥12,500,000 has been paid up. The business scope is

very much similar to that of the Hypothec Bank of Japan and the Agricultural and Industrial Banks. The bank is authorized to issue debentures of not less than ten yen face value to an amount not exceeding 15 times its paid-up capital. Such debentures, however, must not exceed the total outstanding amount of loans which are redeemable by annual instalments or at a fixed date, and when debentures of not more than twenty yen face value are to be issued by the bank such issue may be effected by sale. These debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount of the said loans to be redeemed in the same year.

## THE HOKKAIDO COLONIZATION BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Deben- tures
1932	20,000	79,468	215,705	2,687	938	7.5%	124,252
1933	20,000	89,089	217,620	2,411	875	7.0	122,909



Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
1934	20,000	102,828	212,216	2,443	875	7.0	114,491
1935	20,000	100,486	225,021	2,406	875	7.0	124,862
1936	20,000	102,563	215,924	2,382	875	7.0	121,367
1937	20,000	121,203	235,403	2,258	875	7.0	119,102
1938	20,000	163,572	254,564	2,358	875	7.0	104,765
1939	20,885	269,885	311,996	2,771	875	7.0	105,825

#### The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September 1889, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War.

It is a joint-stock company with an authorized capital of ¥15,000,000, of which ¥13,125,000 has been paid up.

The Bank is privileged to issue banknotes of the denomination of one yen and upward, and is under obligation to con-

vert them into gold coins or convertible bank notes issued by the Bank of Japan. It is required to hold as conversion reserve gold and silver coins and bullion and the convertible notes of the Bank of Japan to the same amount as the notes issued. It may, in addition to the notes mentioned above, issue bank notes up to the amount of ¥80,000,000 against Government bonds and other securities or commercial bills of a reliable nature. Notes issued beyond this limit are subject to a tax of not less than three per cent per annum of the amount so issued.

#### THE BANK OF TAIWAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1932	15,000	95,070	245,538	1,065	395	3.0%
1933	15,000	101,457	227,944	1,296	395	3.0
1934	15,000	112,610	214,891	1,443	395	3.0
1935	15,000	120,745	214,006	1,776	385	3.0
1936	15,000	130,017	221,918	2,174	395	3.0
1937	15,000	148,814	244,828	2,644	459	3.5
1938	15,000	186,408	235,247	3,258	656	5.0
1939	15,000	278,169	228,316	3,423	787	6.0

#### The Bank of Chosen (Chosen Ginko)

The Bank of Korea was established in October 1909, its name being changed to the Bank of Chosen in 1911 by virtue of the Bank of Chosen Act issued by the Government following Korea's annexation to Japan in April 1910. The bank is authorized to issue bank notes against gold coins, gold and silver bullion and notes of the Bank of Japan, and further to issue such notes on security of national bonds, and other bonds and commercial bills of a reliable nature, the maximum amount of the latter notes being ¥160,000,000. The bank may be allowed to issue notes beyond the maximum, such excess issue being subject to a tax of at least 3 per cent per annum. In 1917 the bank's notes were given sole

right of legal tender in the Kwantung Leased Territory and along the South Manchuria Railway. Through revision of the Bank of Chosen Act in 1924 the right of control of the bank was transferred from the Governor-General of Chosen to the Minister of Finance. After the foundation of Manchoukuo, however, steps were taken by the Manchoukuo Government to stabilize the value of the yuan and to adjust the complicated currency system of that country, and in conformity with this policy, the Bank of Chosen reduced the issue of its notes in Manchoukuo (excluding Kwantung L.T.) from December 23, 1935 onward. Simultaneously with the establishment of the Industrial Bank of Manchou at Hsinking, the branches of the Bank of Chosen in Manchoukuo (excluding Kwantung L.T.) were all turned

over to the Industrial Bank of Manchou in December 1936, with the result that the issue of the Bank of Chosen notes in Manchoukuo was entirely discontinued. It may further be noted that with the abolition of extra-territoriality in Manchoukuo and the transfer of the ad-

ministrative power in the South Manchuria Railway Company Zone to Manchoukuo on December 1, 1937, the provisions respecting the legal tender of the Bank of Chosen notes in the Zone were also abrogated.

#### THE BANK OF CHOSEN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1932	40,000	193,932	337,468	1,849	940	4.0%
1933	40,000	215,105	354,508	1,853	940	4.0
1934	40,000	228,193	420,533	1,847	940	4.0
1935	40,000	292,122	422,814	1,859	940	4.0
1936	40,000	411,142	484,349	1,872	940	4.0
1937	40,000	293,943	453,669	1,866	940	4.0
1938	40,000	539,654	579,586	2,510	1,175	5.0
1939	40,000	881,656	793,424	2,985	1,500	7.0

#### Trust Business

It was about 1906 that companies bearing the title of Sintaku Kaisha (Trust Company) were first established in Japan, and, since that time the number of these institutions has steadily increased.

The function of a trust company is to hold, use or dispose of property for, and on behalf of persons who have not the ability or time to attend to these matters themselves. It goes without saying, therefore, that the sound development of this particular business agency will contribute greatly to social and economic progress. But some trust companies have been in existence that did not rest upon a sound basis and which transacted business that could not be properly called trust business. The Government, therefore, laid the projected Trust Law and Trust Business Law before the 45th session of the Diet and secured its approval. These two laws were effective on and after January 1, 1923.

According to the Trust Business Law:

(1) Trust business can be carried on only by a joint-stock company whose capital is one million yen or more and which has obtained licence from the Minister of Finance.

(2) The properties that a trust company can accept in trust are limited to money, negotiable paper, monetary claims, movables, land and things thereon, and superficies and leases of

lands.

(3) The method of administering the trust property is specified in the Imperial Ordinance issued according to the provisions of the Trust Law.

(4) Businesses which trust companies can carry on as incidental to their main business are limited to the following:

1. Reception of deposits for safe custody.

2. Giving guarantees for debts.

3. Acting as an intermediary in the sale of immovable properties.

4. Acting as an intermediary in the loans of either money or immovable properties.

5. Flotation of bonds, debentures or stocks, and receipt of payment from the subscribers.

6. Payment of principal and interest or dividends of bonds, debentures or stocks.

7. Execution of a will concerning property.

8. Auditing.

9. Acting as agents for the following matters:

a. Acquisition or disposition of properties.

b. Adjustment and liquidation of properties.

c. Collection of claims.

d. Performance of obligations.

Of the above the guaranteeing of debts is subject to necessary limitations to be specified by ordinance.

(5) Trust companies are forbidden to

engage in any business other than those mentioned above, excepting business connected with mortgage debentures.

(6) Trust companies must, in conformity with the provisions of ordinance, deposit national loan bonds of not less than one-tenth of their capital as security, and beneficiaries are entitled to preferential rights as regards the national loan bonds thus deposited by trust companies. The rate of legal reserve fund has also been increased, while certain limits to be observed by the companies in using their own fund for the purpose of investment. These, together with other provisions for control, are intended to protect the interests of beneficiaries, at the same time preventing the companies from possible mismanagement.

(7) As stated in (5) the companies carrying on general trust business can also engage in similar business connect-

ed with mortgage debentures. Consequently a revision was effected in this respect in the Mortgage Debentures Trust Law. Ordinary banks were formerly disqualified to combine general trust business but this privilege was allowed to the Bank of Taiwan, Industrial Bank of Japan and Hokkaido Colonization Bank. It being deemed necessary to confine the operation of these special banks in the particular line to business connected with mortgage debentures only, necessary revisions have been made in the laws relating to these banks.

Trust companies established under the provisions of the above-mentioned laws numbered 28 and had an aggregate nominal capital of ¥256,000,000 at the end of November 1939. These institutions have now great influence in financial circles.

#### TRUST COMPANIES

At the End of Nov.	No. of Head Offices	No. of Branch Offices	Authorized Capital	Paid-up Capital	Reserve Funds (In yen)	Net Profit	Dividend
1932	37	14	288,500,000	81,450,000	25,849,983	15,464,612	3,428,578
1933	30	16	287,000,000	82,076,075	29,536,346	18,019,865	3,689,200
1934	33	16	282,000,000	78,336,575	34,180,490	20,984,787	3,674,498
1935	32	17	272,000,000	76,308,575	39,421,837	22,135,929	3,638,498
1936	31	17	259,000,000	74,670,478	43,469,351	23,393,825	3,584,747
1937	29	18	259,000,000	73,932,475	48,676,307	24,961,897	3,865,998
1938	28	18	256,000,000	73,421,975	54,102,769	26,199,578	4,043,498
1939	28	18	256,000,000	73,459,000	59,569,000	—	—

#### Assets

(In ¥1,000)

#### Companies' Own Account

At the end of each year	Unpaid Capital	Advances	Deposits	Securities	Pre-mises	Guarantees	Miscellaneous Assets	Losses	Total Including others
1932	207,050	33,658	8,902	59,315	13,757	8,403	3,294	867	342,303
1933	204,924	31,206	9,101	67,935	13,292	8,616	3,471	1,239	346,786
1934	203,663	35,695	8,887	71,988	12,618	7,597	1,871	289	348,849
1935	195,691	32,936	9,302	77,567	11,872	7,046	2,533	290	343,813
1936	184,330	33,483	8,081	81,369	12,631	6,393	1,882	314	335,865
1937	183,068	35,285	8,518	84,286	12,160	4,988	2,010	3	334,808
1938	182,578	35,998	8,414	88,114	11,504	4,476	2,722	3	339,244
1939	182,541	37,616	10,778	96,934	9,507	—	—	—	—

#### Trust Account

	Securities	Advances	Deposits	Movable and Real Estate	Miscellaneous Assets	Cash in Hand	Total (including branches' accounts)
1932	486,303	876,081	50,278	36,226	7,946	3,997	1,628,413
1933	568,901	923,807	47,529	40,565	30,758	4,188	1,765,289
1934	799,418	896,288	54,900	40,648	31,443	3,813	2,058,923
1935	940,644	949,137	50,129	42,669	42,858	3,719	2,310,253
1936	1,133,158	983,811	41,606	43,884	36,459	3,669	2,551,779
1937	1,158,156	1,088,999	43,869	44,199	57,835	3,504	2,705,002
1938	1,306,295	1,230,963	47,417	50,987	73,674	3,526	3,063,538
1939	1,529,468	1,478,692	42,550	59,515	90,168	703	3,210,093

#### Liabilities

#### Companies' Own Account

	Authorized Capital	Reserve Funds	Guarantees	Miscellaneous Liabilities	Net Profit	Branches Accounts	Total
1932	288,500	25,850	8,403	5,879	8,180	5,491	342,303
1933	287,000	29,536	8,616	7,076	9,538	5,020	346,786
1934	282,000	34,180	7,597	9,612	10,557	4,903	348,849
1935	272,000	39,422	7,046	8,465	11,312	5,568	343,813
1936	259,000	43,470	6,393	8,784	12,042	6,176	335,865
1937	259,000	48,676	4,988	8,308	12,457	3,379	334,808
1938	256,000	54,103	4,476	7,178	13,333	4,154	339,244
1939	256,000	59,569	—	—	—	—	—

#### Trust Account

	Trust Money in Trust	Trust Fund other than Money in Trust	Securities in Trust	Claims in Trust	Real Estates in Trust	Superficies in Trust	Branches Accounts	Total
1932	1,226,005	9,858	183,009	11,794	30,143	2	167,602	1,628,413
1933	1,378,375	11,641	183,867	9,314	32,536	15	149,541	1,765,289
1934	1,570,191	8,902	205,824	9,013	32,566	14	232,353	2,058,923
1935	1,729,993	10,169	250,205	6,052	32,723	14	281,097	2,310,253
1936	1,854,153	8,002	340,954	4,400	34,972	16	309,192	2,551,779
1937	1,886,416	8,731	457,601	8,026	35,713	16	308,439	2,705,002
1938	2,037,582	9,181	609,965	13,136	42,982	16	350,676	3,063,538
1939	2,322,761	12,776	797,357	17,425	50,758	13	—	3,201,093

#### Mutual Loan Companies (Mujin Kalsha)

In addition to the banking institutions there are mutual loan companies (Mujin Kalsha), which are credit establishments peculiar to Japan and are based on mutual credit among the middle and lower classes of people. Mutual credit societies have existed in Japan since olden times. The Mutual Loan Society Law was promulgated in June 1915, whereby the mutual loan societies acquired a legal standing. But in order to enable these societies to perform the function of financial institutions for lower classes and to extend their business operations, fundamental amendments were made in the law in 1931. According to the provisions of the Mutual Loan Company Law, put into

effect on and after July 1, 1931, the business of the companies is to make the subscribers pay money in instalments during a fixed period and then to distribute it, in lots, among the subscribers, by drawings, biddings or some similar means, the number of such lots and the sum of money to be thus distributed being previously fixed. Each company must be a joint stock company with a nominal capital of more than ¥100,000. No company is allowed to carry on this kind of business without permission of the Minister of Finance. Those so engaged are prohibited from carrying on any other business at the same time and are under obligation to present business reports to the Government. Restrictions also are put on the use of business funds.

## MUTUAL LOAN COMPANIES

## Assets

(In ¥1,000)

Year	No. of Companies	Money yet to be paid in instalments	Convertible Notes	Loans	Deposits	Total, including others
1932	274	71,933	2,621	41,728	19,472	157,347
1933	276	67,616	4,447	44,271	26,340	166,723
1934	273	63,002	7,643	51,473	32,084	179,865
1935	262	56,041	9,625	61,723	33,293	187,880
1936	253	51,848	13,152	73,365	38,594	204,422
1937	246	50,727	18,358	96,568	45,252	238,995
1938	245	49,508	25,988	125,987	53,386	287,481

Note: Unpaid capital and loss are discounted.

## Liabilities

(In ¥1,000)

Year	Paid-up Capital	Reserves	Net profit	Total, including others
1932	18,272	9,557	752	157,347
1933	18,581	9,554	447	166,723
1934	19,330	9,927	(—) 134	179,865
1935	19,067	10,708	710	187,881
1936	18,933	10,923	1,512	204,422
1937	18,886	12,071	1,666	238,995
1938	19,122	13,386	2,080	287,481

## Co-operative Credit Associations

Credit Associations acquired a legal standing under a new system as defined by the so-called Co-operative (or Industrial) Association Law, promulgated in March 1900. The business of these associations is to lend money to their members in order to better their economic conditions and to employ their savings. By virtue of the revision of the law in July 1917, the business of the Credit Associations has been expanded and they may use the savings of the families of their members, public corporations or

legal persons who do not aim at profit. Especially, the Credit Associations in cities or city areas designated by the competent Minister of State may, besides the business above described, discount bills for their members and handle savings of persons who are not their members but reside inside the same boundary. Therefore, they may be called the People's Banks in city areas, and are placed under the control of the Minister of Finance and the Minister of Agriculture and Forestry. The actual number of these associations was 280 at the end of 1938.

Year	Money Paid	Loans (In yen)	Savings	Total B/S
1932	58,739,865	138,832,405	160,233,203	271,284,152
1933	56,493,820	158,026,038	177,376,486	292,271,078
1934	58,516,000	160,450,000	189,760,000	309,983,000
1935	59,028,000	164,584,000	218,676,000	326,973,000
1936	58,394,000	175,197,000	241,664,000	350,034,000
1937	59,930,000	190,619,000	277,453,000	390,805,000
1938	64,721,000	208,483,000	363,531,000	482,241,000

## Central Chest for Co-operative Associations

(Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federations of Co-operative (or Industrial) Associations and of individual Co-operative Associations and for bringing them into close touch with the central money market, the Central Chest for Co-operative Associations was established by law on April 5, 1923. Its capital at present amounts to ¥35,700,000, of which ¥17,500,000 is invested by the Government and the remainder, ¥18,200,000 by the Co-operative Associations throughout the country. Of this nominal capital, 31.7 million has been paid up. Formerly, those interested in the Chest were confined to the Government, federations of industrial association, and industrial associations, but federations of fishery associations and mutual fishery associations were further authorized to make investments by the Law as amended on March 18, 1938. The number of associations that were interested in the Central Chest amounted on December 31, 1938 to 13,391, representing more than 84% of the total number of associations throughout the country. The principal business of the Central Chest for Co-operative Associations is as follows:

(1) To make without security loans

redeemable at a fixed time within a period of not more than five years to Federations of Co-operative Associations or Co-operative Associations, Federations of fishery associations, or mutual fishery associations;

(2) To make loans without security redeemable by annual instalments within a period not exceeding thirty years to those federations or associations, provided that the total amount of such loans does not exceed one-half of the paid-up capital and debentures issued;

(3) To discount bills for, or allow overdrafts to those federations or associations;

(4) To undertake exchange business for those federations or associations;

(5) To receive money as deposits from those federations or associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for those federations or associations; and

(7) To buy and sell on a consignment basis securities for those federations or associations.

The Central Chest is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and the Minister of Finance. The assets and liabilities of these associations follow:

## ASSETS

(In ¥1,000)

March of	Unpaid Investment	Loans	Deposits in Banks	Securities	Total, including Others
1932	1,159	93,298	16,908	11,823	127,891
1933	381	127,332	40,145	18,493	192,073
1934	14	150,970	30,532	57,216	245,786
1935	—	141,314	28,247	73,897	248,584
1936	—	147,419	23,499	79,177	256,572
1937	—	155,565	18,327	61,673	242,471
1938	—	162,884	26,312	76,027	272,208
1939	4,000	159,504	32,601	123,410	328,149

## LIABILITIES

(In ¥1,000)

March of	Investment by Government	Investment by Others	Co-operative Debentures	Fixed Deposits	Total, including Others
1932	15,000	15,700	41,419	32,447	127,891
1933	15,000	15,700	59,503	59,624	192,073
1934	15,000	15,700	64,411	84,454	245,785
1935	15,000	15,700	84,291	86,149	248,584
1936	15,000	15,700	86,575	99,383	256,572
1937	15,000	15,700	82,939	80,776	242,471
1938	15,000	15,700	82,312	103,613	272,208
1939	17,000	18,200	72,309	150,934	328,149

**Central Chest for Commercial and Manufacturing Associations**  
(Shōkō Kumiai Chūdō Kinko)

For the purpose of regulating and facilitating the movement of funds of commercial associations, manufacturing associations, and foreign trade associations, the Central Chest for Commercial and Manufacturing Associations was created by Law No. 14 of May 27, 1936. Its capital amounts to 10 million yen, of which 5 million yen has been invested by the Government. Those that may be interested in this institution are the Government, commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, and federations of foreign trade associations, and the subscription to the capital by those other than the Government is in principle limited to 1,000 shares per federation or association.

The principal business of the Central Chest for Commercial and Manufacturing Associations is as follows:

- (1) To make, without security, loans redeemable at a fixed time or by monthly instalments within a period not exceeding 5 years to the federations or associations interested in the Chest.
- (2) To make, without security, loans redeemable by annual or semi-annual instalments within a period not exceeding 20 years to the federations or associations; provided, however, that in cases where the loans are to be redeemable within a period exceeding 5 years, such loans must not exceed half of the total amount of the paid-up capital and commercial and manufacturing debentures issued.
- (3) To discount bills for or allow over-drafts to the associations or federations.
- (4) To undertake business relating to documentary bills for the associations or federations.
- (5) To undertake inland exchange business for the associations or federations.
- (6) To receive money as deposits from commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, federations of foreign trade

associations, public corporations, and other corporations on a non-commercial basis.

(7) To accept securities for custody and to buy and sell securities on a consignment basis for the associations or federations.

When deemed necessary, the Central Chest may require security in the case of the business mentioned under (1) to (4) above. It is further to be noted that the Central Chest may employ its surplus fund in the following manner only:

(a) To purchase national bonds, local government bonds, or securities designated by the competent Ministers.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks designated by the competent Ministers, or the Post Office Savings Bank.

(c) To make short-term loans to commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, or federations of foreign trade associations.

This institution is authorized to issue debentures to an amount not exceeding 10 times the paid-up capital. Such debentures, however, must not exceed the total amount of outstanding loans, discounted bills and holdings of securities. The institution is under the control of both the Minister of Finance and the Minister of Commerce and Industry. The president, directors (more than 3), and auditors (more than 2) are appointed by the competent Ministers. There are 20 counsellors, and more than one half of the number consist of members of commercial associations, manufacturing associations, and foreign trade associations.

**People's Chest**  
(Shomin Kinko)

The People's Chest, which makes it its object to grant low-interest credits to medium and smaller merchants and manufacturers, salaried men and laborers who had formerly not benefited from the established financial institutions, and thereby to stabilize the living conditions of those classes of the people, was created by the People's Chest Law promulgated on March 31, 1938. It should specially be noted that this People's Chest is a financial institution on a non-

commercial basis. Its capital amounts to 10 million yen, consisting of Government bonds all contributed by the Government.

The principal business of the People's Chest is as follows:

- (1) To make small loans redeemable at a fixed time or by instalments.
- (2) To make accommodations to financial institutions as funds for small loans.
- (3) To make compensation payments for loss sustained in making small loans by financial institutions.
- (4) To receive money as deposits from those conducting the above transactions with the People's Chest.
- (5) To undertake business incidental to those mentioned above.

The People's Chest may employ its surplus fund in the following manner only:

(a) To acquire national bonds, local government bonds, or securities designated by the competent Minister.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks, or the Post Office Savings Bank.

The People's Chest is authorized to issue debentures to the amount not exceeding 10 times its paid-up capital. The Government guarantees the payment of the principal and interest of such debentures to the amount not exceeding 100 million yen of face-value, and makes grants for the business expenses of the Chest over a period of 10 years. The People's Chest is under the control of the Minister of Finance.

**Pension Chest**  
(Onkyu Kinko)

The transfer of the right to receive pension to other persons or giving that right as security is not only contrary to the principle of the pension system, but is prohibited by law. There were, however, a great number of pensioners who, driven by the necessity of finding a means of livelihood, were often offering the right as security in different ways. As it was impossible for them to be financed from the established financial institutions, they were constantly suffering from the burdens of extremely high-interest loans. In order to eradicate the

evils arising from such circumstances, and to grant promptly low-interest credits, the Pension Chest Law was promulgated on March 31, 1938, whereby the Pension Chest was created. Its capital amounts to 30 million yen, of which 5 million yen has been contributed by the Government and the remainder by the Ministry of the Imperial Household, special organizations, and the general public.

The principal business of the Pension Chest is as follows:

- (1) To make loans on the security of pension under the Pension Law.
- (2) To make loans on the security of annuities granted for distinguished services.
- (3) To make loans on the security of pensions granted by other laws and ordinances than the Pension Law.
- (4) To receive pensions and annuities for the person in question, and to receive as deposits such pensions and annuities.
- (5) To undertake business incidental to those mentioned above.

The surplus fund of the Pension Chest is employed in the following manner only:

(a) To acquire national bonds, local government bonds, or other securities designated by the competent Ministers.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks, or the Post Office Savings Bank.

The Pension Chest is authorized to issue debentures to the amount not exceeding 15 times the paid-up capital, but such debentures must not exceed the total amount of outstanding loans and holdings of securities. The Chest is under the control of the Prime Minister and the Minister of Finance.

**The Big Seven**

Among the non-governmental banks in the country there are seven which stand out from all the others in importance, these being the Mitsu, Mitsubishi, Dai-ichi, Sumitomo, Yasuda, Daihyaku (the One Hundredth Bank) and Sanwa, the last named having been created by the amalgamation of three banks, i.e. Kōnoike, Yamaguchi and the 34th in December 1933:

## BUSINESS CONDITIONS OF THE BIG SEVEN

(In ¥1,000)

Kinds	1939	
	First half	Second half
Paid-up capital	57,500	57,500
Deposits	1,535,796	1,796,362
Foreign bills	205	919
Total liabilities	1,734,931	2,022,175
Fixed assets	24,311	24,027
Loans	744,994	916,450
Total assets	1,734,931	2,022,175
Total profits	18,741	19,526
Rate of dividend	8.0	8.0

## 2. Mitsubishi Bank

Kinds	1939	
	First half	Second half
Paid-up capital	100,000	100,000
Deposits	1,253,970	1,393,564
Foreign bills	252	739
Total liabilities	1,482,025	1,622,484
Fixed assets	20,094	20,058
Loans	577,899	653,152
Total assets	1,482,025	1,622,484
Total profits	14,185	14,748
Rate of dividend	8.0	8.0

## 3. Yasuda Bank

Kinds	1939	
	First half	Second half
Paid-up capital	150,000	150,000
Deposits	1,587,415	1,909,567
Foreign bills	45	27
Total liabilities	1,877,647	2,213,847
Fixed assets	14,158	13,880
Loans	844,155	1,031,556
Total assets	1,877,647	2,213,847
Total profits	10,138	11,232
Rate of dividend	7.0	8.0

## 4. Mitsui Bank

Kinds	1939	
	First half	Second half
Paid-up capital	100,000	100,000
Deposits	1,211,367	1,349,704
Foreign bills	1,491	1,709
Total liabilities	1,503,971	1,632,662

## FOREIGN BANKS WITH BRANCHES IN JAPAN

Name	Nationality	No. of Branches in Japan	Places of Branches in Japan
Hongkong & Shanghai Banking Corporation	Great Britain	3	Kobé, Yokohama, Tokyo
Chartered Bank of India, Australia & China	"	2	Yokohama, Kobé

Kinds	1939	
	First half	Second half
Fixed assets	17,526	17,061
Loans	705,758	798,584
Total assets	1,503,971	1,632,662
Total profits	17,510	18,373
Rate of dividend	8.0	8.0

## 5. Sumitomo Bank

Kinds	1939	
	First half	Second half
Paid-up capital	70,000	70,000
Deposits	1,686,340	1,955,658
Foreign bills	3,148	3,361
Total liabilities	1,864,484	2,148,053
Fixed assets	17,505	17,142
Loans	889,757	1,043,953
Total assets	1,864,484	2,148,053
Total profits	9,334	10,763
Rate of dividend	8.0	8.0

## 6. Sanwa Bank

Kinds	1939	
	First half	Second half
Paid-up capital	107,200	107,200
Deposits	1,839,308	2,137,008
Foreign bills	2,485	4,713
Total liabilities	2,052,421	2,384,116
Fixed assets	27,675	27,291
Loans	614,621	739,454
Total assets	2,052,421	2,384,116
Total profits	6,014	6,479
Rate of dividend	7.0	8.0

7. Dai-Hyaku Bank  
(The One Hundredth Bank)

Kinds	1939	
	First half	Second half
Paid-up capital	38,988	38,988
Deposits	1,045,560	1,211,835
Foreign bills	744	1,716
Total liabilities	1,136,161	1,316,072
Fixed assets	17,455	19,040
Loans	483,070	529,630
Total assets	1,136,161	1,316,072
Total profits	2,732	3,121
Rate of dividend	6.0	7.0

Name	Nationality	No. of Branches in Japan	Places of Branches in Japan
National City Bank of New York	U.S.A.	4	Kobé, Yokohama, Tokyo, Osaka
Banque Franco-Japonaise	France	2	Tokyo, Kobé
Nederlandsche Handel-Maatschappij	Holland	1	Kobé
Nederlandsch-Indische Handelsbank	"	2	Kobé, Tokyo
Bank of China	China	1	Osaka
Central Bank of Manchu	Manchoukuo	1	Tokyo

## Clearing Houses

The establishment of the first clearing house in Japan took place in Osaka in 1879, preceding by eight years that in Tokyo, where one was established in 1887. Cash transactions marked the commercial society of this country early in the Meiji era and no transactions in bills or cheques were then conducted. Viscount Shibusawa and other business

leaders encouraged paper transactions among businessmen at large and the time soon came when it was necessary for Tokyo to establish a clearing house, one being eventually brought into existence by the Bankers' Association in 1887. At the end of 1938, there were 47 clearing houses in Japan. The amount of clearings in Tokyo and Osaka and Japan proper were as follows:

## BILLS CLEARED AT THE CLEARING-HOUSES IN JAPAN PROPER

Year	(000's omitted)					
	Tokyo		Osaka		(All Japan)	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
1932	12,646	26,562,718	9,471	15,624,537	34,387	52,751,946
1933	13,577	31,549,888	10,412	22,175,225	37,296	66,871,808
1934	14,253	25,338,571	9,547	24,438,933	37,739	64,376,620
1935	15,153	25,512,016	10,472	22,688,248	40,725	63,858,341
1936	15,887	27,400,087	11,090	24,979,292	42,961	69,862,561
1937	17,308	34,125,353	11,983	30,153,543	45,846	85,270,132
1938	18,326	37,387,153	12,058	28,535,903	47,105	86,091,458
1939	20,437	46,867,000	13,097	33,819,000	57,417	117,708,990

## Postal Savings Deposits

The postal savings deposits system of Japan was adopted from the Post Office Savings Act of Great Britain. It was established by an Imperial Ordinance of August 1874, and was enforced in May of the following year at 22 post offices in the country. The history of this service in Japan is one of the oldest in the world, older than that of Germany or France and 36 years older than that of America. At first the annual interest rate was 3 per cent, the highest rate was 7.2 per cent during 1881-1884, but it is 2.76 per cent since April 1937. The maximum amount one could deposit was at first ¥500. In the first year of enforcement the amount totalled ¥51,224 for 1,843 depositors. In 1882 the Mail Act was passed and the deposit business became jointly controlled by the Minister of Finance and the Minister of Agriculture and Com-

merce. The service was looked after by 4,000 post offices in the country. In 1890 the Postal Savings Deposit Act was issued. In 1920 the Exchange Deposit Bureau was established and was later replaced by the Deposits Bureau in the Ministry of Finance.

The number of depositors and amount of savings since 1932 are as follows:

March 31,	Number	Amount in yen
1932	39,066,040	2,815,868,019
1933	39,838,438	2,772,004,751
1934	41,625,306	2,919,345,286
1935	43,908,510	3,062,750,943
1936	46,568,533	3,232,947,127
1937	49,564,766	3,485,835,081
1938	54,628,871	3,903,261,783
1939	74,654,584	4,760,150,164
1940	85,880,088	6,177,646,619

Note: Figures include Postal Transfer, which, for instance, amounted to ¥179,965,042 on March 31, 1940.

### Currency System

**Coinage** The present coinage system is based on the Coinage Law issued in 1897, which established the gold mono-metallic system. Its principal points are summarized as follows:

(1) The coinage unit is 2 fun (0.75 grams) of pure gold, that is, one-half of the former gold unit, and is to be denominated one yen.

(2) The standard gold coins are of three denominations, namely, five yen, ten yen and twenty yen; the former gold coins pass for double their nominal value.

(3) The subsidiary silver coins are of two denominations, namely, twenty sen and fifty sen; the former five-sen, ten-sen, twenty-sen and fifty-sen silver pieces are allowed to circulate.

(4) The other subsidiary coins are the nickel five-sen and ten-sen pieces and the bronze one-sen and five-rin pieces; the former five-sen nickel as well as two-sen, one-sen, five-rin and one-rin copper pieces are allowed to circulate.

(5) The fineness and weights of the coins prescribed in the Coinage Law are as follows:

#### (a) Fineness

##### Gold coins:

pure gold 900 copper 100

##### Silver coins:

pure silver 720 copper 280

##### Nickel coins:

pure nickel 1,000

##### Bronze coins:

copper 950 tin 40 zinc 10

#### (b) Weights

##### Gold coins:

Denominations	Weights Grams
20-yen pieces	16.6666
10-yen pieces	8.3333
5-yen pieces	4.1666

##### Subsidiary coins:

Denominations	Weights Grams
50-sen silver	4.95
20-sen silver	1.98
10-sen nickel	4.00
5-sen nickel	2.80
1-sen bronze	3.75
5-rin bronze	2.10

#### Paper Notes of Small Denominations

In order to make good the deficiency of subsidiary silver coins caused by the World War, paper notes of small denominations, namely, fifty-sen, twenty-sen and ten-sen, were issued as a substitute

in accordance with the Imperial Ordinance No. 202 promulgated on October 29, 1917. The issue of these petty notes went on increasing in volume till at the end of February 1922, it reached 218 million yen, the largest on record. After that time the volume gradually dwindled in consequence of the minting of new subsidiary coins to displace the notes, the latter coming down, by the end of 1938, to ¥10,895,588.

**Emergency Currency** Not only to effect economy, for the time being, in the use for monetary purposes of some metals as provided for in the Coinage Law, but to meet the increasing requirements for subsidiary coinage, emergency currency was issued in accordance with the provisions of the Emergency Currency Law promulgated in June 1938. It consists of subsidiary coins of 10-sen, 5-sen and 1-sen, and of paper notes of small denomination of 50-sen.

The fineness and weight of these subsidiary coins are specified by Imperial Ordinance No. 388 of 1938 as follows:

#### A. Fineness.

10-sen piece aluminium	50 copper	950
5-sen piece aluminium	50 copper	950
1-sen piece copper	900 zinc	100

#### B. Weight.

	Grams
10-sen piece	4
5-sen piece	2.8
1-sen piece	3.75

Note:—The copper 1-sen piece was displaced by the aluminium 1-sen piece under Imperial Ordinance No. 724 of November 1938.

**Convertible Bank Notes** In May 1884, there was promulgated the Convertible Bank-notes Law providing for the issue by the Bank of Japan of bank-notes which were to be converted into silver, but on the adoption of the gold standard in 1897 these notes became convertible into gold. Certain amendments were made in the law in 1932 and 1938. The principal points may be summarized as follows:

The Bank of Japan is required to hold as a conversion reserve against the issue of notes, gold and silver coins and bullion to the same amount as that of the notes issued; and the total value of silver coins and bullion must not exceed one-fourth of the entire conversion reserve. The Bank of Japan may, in addition to the notes specified in the preceding para-

graph, issue bank-notes to the amount of ¥2,200,000,000 against Government bonds, Treasury bills and other reliable securities or commercial bills. The Bank may also be allowed to issue notes against such securities beyond the maximum mentioned above. In case the issue in excess of this limit lasts more than 15 days the approval of the Minister of Finance is required, and such issues outstanding after a period of 15 days are subject to a tax of at least 3 per cent per annum of the amount so issued. The bank-notes are of 7 denominations, namely, one yen, 5 yen, 10 yen, 20 yen, 50 yen, 100 yen and 200 yen.

**Currency System of Chosen and Taiwan** The currency system of Chosen had fallen into such a state of disorder and confusion that the credit of legal tenders was entirely gone, and consequently commodity prices perpetually fluctuated. In 1905, at the time of the protectorate régime of Japan, the radical reform of the system was started, the Coinage Regulation was revised and new coins equal in quality and weight to those of Japan were minted. At the same time, the use of the old nickel coins was prohibited on and after December 31, 1909. After the annexation, with the object of unifying the coinage in Chosen with that of the Empire, the minting of coins under the Coinage Regulation was suspended and the circulation of Japanese coins was encouraged. As the old Korean coins in circulation diminished steadily, the Imperial Coinage Law was put in force in April 1918 in Chosen and the use of the old Korean coins as legal tender was permitted till the end of 1920 only, the Government undertaking to exchange during the five subsequent years. The use of "Yō-sen" (bronze pieces), however, was left free for the time being in consideration of the economic conditions of Chosen.

Bank-notes issued by the Bank of Chosen are convertible notes. Besides issuing, under the Charter of the Bank of Chosen, on the security of gold specie, gold and silver bullions and the Bank of Japan's convertible notes, the Bank is authorized to issue notes up to the limit of ¥160,000,000 on the security of the exchequer bills and other reliable bills or trade bills. Being the principal medium of exchange in Chosen the volume of issue has steadily expanded with the development of economic con-

ditions in the Peninsula.

The Emergency Currency Law was put into operation in Chosen as from June 1, 1938.

By Law No. 38 promulgated in April 1897, the Bank of Taiwan was empowered to issue notes convertible into silver, but the frequent fluctuations in the value of silver yen have since not only impeded the smooth circulation of silver notes, but tended to foster a speculative spirit among the public. The repercussions of such developments had been so seriously felt in many directions that attention was directed in 1903 to the reform of the currency system, and an emergency measure, designed to relieve the situation, was taken by promulgating in June 1904 and enforcing in July of the same year, an Ordinance authorizing the Bank of Taiwan to issue notes convertible into gold against gold and silver coins and bullion. This Ordinance, however, was abrogated concurrently with the Law relating to the Bank of Taiwan being amended in 1906 so as to vest the Bank with lawful authority to issue notes convertible into gold. The issue of gold-notes markedly facilitated business operations as they were favorably received and their circulation was highly satisfactory. The Government thereafter encouraged a greater diffusion of gold-notes on the one hand, and adjusted silver coins and notes on the other. Thus, the silver-notes had been withdrawn from circulation by April 1909. It should specially be noted that the Coinage Law of the Empire was put into operation in April 1911 in Taiwan, with the result that the currency system of the island became uniform with that of Japan proper.

The abnormal economic condition resulting from the World War suggested the necessity of placing the specie under protection, and restriction was imposed in 1917 on the export of gold and silver coins and bullion by Ordinances No. 41 and 44. It was prohibited, at the same time, to collect, melt down, or demolish gold or silver coins for sale or use as bullion. As, however, economic conditions returned to normal, the Government issued in 1929 Ordinance No. 66, abrogating the Ordinances mentioned above and permitting the export of gold as from January 11, 1930. Gold shipments abroad have since continued on so large a scale that the Government, with a view to protecting the specie reserve, promulgated in 1931 Ordinances

No. 67 and No. 71, prohibiting the export of gold coins, gold bullion, gold manufactures and alloys of gold as from December 13, 1931. On December 17 of the same year, an Imperial Emergency Ordinance suspending the conversion of bank notes into gold was pro-

mulgated, whereby the conversion of the notes of the Bank of Taiwan into gold coin was prohibited. The Emergency Currency Law was put into effect in Taiwan as from June 1, 1938, by Imperial Ordinance No. 387 of 1938.

### AMOUNT OF BANK-NOTES ISSUED BY THE BANK OF JAPAN

#### Notes Issued (In yen)

Year	Balance brought over from the preceding year	Amount newly issued	Total	Amount withdrawn	Balance
1932	1,330,575,316	5,021,876,744	6,352,452,060	4,926,293,103	1,426,158,957
1933	1,426,158,957	4,526,876,038	5,953,034,995	4,408,237,301	1,544,797,694
1934	1,544,797,694	4,858,410,704	6,403,208,398	4,775,859,229	1,627,349,168
1935	1,627,349,168	5,602,732,128	7,230,081,296	5,463,526,001	1,766,555,295
1936	1,766,555,295	6,237,474,940	8,004,030,235	6,138,326,850	1,865,703,385
1937	1,865,703,385	7,028,397,616	8,894,101,001	6,589,030,281	2,305,070,719
1938	2,305,070,719	7,649,764,920	9,954,835,639	7,199,912,262	2,754,923,377
1939	2,754,923,377	6,201,647,305	8,956,570,682	5,278,000,000	3,679,000,000

#### Reserve (In yen)

Year	Specie Reserve		Security Reserve		Amount of Reserve for Every 100 yen of Notes Issued	
	Gold Coin	Public Loan and Bullion	Other Bonds	Total Securities	Total Reserve	Specie Security
1932	425,068,190	539,854,243	461,236,524	1,001,090,767	1,426,158,957	29.81 70.19
1933	425,069,230	597,074,267	522,654,197	1,119,728,464	1,544,797,694	27.52 72.48
1934	466,338,325	631,786,391	529,224,451	1,161,010,843	1,627,349,168	28.66 71.34
1935	504,065,115	738,959,289	523,530,900	1,262,490,180	1,766,555,295	28.53 71.47
1936	548,342,455	886,253,738	431,107,192	1,317,360,930	1,865,703,385	29.39 70.61
1937	801,002,607	1,095,458,486	408,609,626	1,504,068,112	2,305,070,719	34.75 65.25
1938	501,287,020	1,690,911,422	562,724,935	2,253,636,357	2,754,923,377	18.20 81.80

### COINS TURNED OUT BY THE MINT

#### (In yen)

Year	Gold Coins				Silver Coins			Grand Total
	20-yen Pieces	10-yen Pieces	5-yen Pieces	Total	20-sen Pieces	10-sen Pieces	Total	
1932	29,836,580	—	—	29,836,580	—	—	1,800,000	31,636,580
1933	—	—	—	—	—	—	21,240,000	21,240,000
1934	—	—	—	—	—	—	11,760,000	11,760,000
1935	—	—	—	—	—	—	15,000,000	15,000,000
1936	—	—	—	—	—	—	13,000,000	13,000,000
1937	—	—	—	—	—	—	34,200,000	34,200,000
1938	—	—	—	—	—	—	18,000,000	18,000,000

  

Year	Nickel Coins			Bronze	Grand Total
	10-sen Pieces	5-sen Pieces	Total		
1932	1,800,000	400,000	2,200,000	340,000	34,176,580
1933	1,457,000	640,000	2,097,000	400,000	23,737,000
1934	3,582,999	1,859,999	5,442,998	1,000,000	18,202,998
1935	3,705,000	684,000	4,389,000	2,000,000	21,389,000
1936	7,755,000	1,816,000	9,571,000	1,076,000	23,647,000
1937	4,000,000	2,220,000	6,220,000	1,344,000	41,764,000
1938	—	500,000	500,000	880,000	11,466,000

### CIRCULATION OF PAPER NOTES AND BANK NOTES

(In ¥1,000)

End of	Petty Government Notes	Bank of Japan Notes	Bank of Chosen Notes	Bank of Taiwan Notes	Total
1932	11,380	1,373,619	124,622	52,619	1,562,241
1933	11,260	1,470,468	148,176	48,994	1,678,897
1934	11,160	1,538,188	192,457	62,653	1,804,460
1935	11,040	1,607,870	220,777	70,190	1,909,878
1936	10,900	1,756,483	210,654	79,138	2,057,246
1937	10,965	2,080,555	279,502	112,033	2,483,055
1938	88,838	2,474,134	321,977	140,018	3,024,969
1939	248,766	3,393,693	443,986	171,169	4,257,614
1940 (May)	257,592	3,101,416	425,167	171,974	3,956,150

### MONEY RATES

(Per annum rate)

	1935 Mar.	1936 Mar.	1937 Mar.	1938 Mar.	1939 Mar.	1940 Mar.	
Bank of Japan { Commercial Bills Re-discount	3.65	3.65	3.285	3.285	3.285	3.285	
Bank of Japan { Gov't Bonds Collateral	4.015	4.015	3.650	3.285	3.650	3.650	
Postal Savings Deposits (Japan Proper) { Ordinary	3.00	3.00	3.00	2.76	2.76	2.76	
Postal Savings Deposits (Japan Proper) { Fixed	3.24	2.24	3.24	3.04	3.04	3.04	
Bank Deposits (Agreement Rates) {	Class A Bank {	Time Current	3.7	3.7	3.3	3.3	3.3
		Savings	0.73	0.73	0.37	0.37	0.37
	Class B Bank {	Time Current	2.19	2.19	1.83	1.83	1.83
		Savings	2.19	2.56	2.19	2.19	2.19
Bankers' Call Loan (Agreement Rate)	2.92	2.92	2.56	2.56	2.56	2.56	

### Tokyo Open Market

Month	Overnight Call Loan			Prime Name Spinner Bills		
	High	Low	Average	High	Low	Average
1934 March	2.73	2.48	2.56	4.20	3.29	3.76
1935 "	3.29	2.46	2.70	4.38	3.29	3.83
1936 "	3.83	2.56	2.88	4.38	3.29	3.83
1937 "	3.65	2.46	2.81	4.02	3.29	3.65
1938 "	2.56	2.19	2.48	4.02	3.29	3.65
1939 "	2.56	2.48	2.52	4.02	3.29	3.65
1940 "	2.74	2.56	2.58	4.02	3.29	3.65

## BANK OF JAPAN RATE CHANGES

(Rates per diem and per annum)

Effective on	Effective Period for Each Rate (No. of Days)	Loans and Discounts with Government Bonds Collateral		Loans and Discounts with Nongov't Securities Collateral		Rediscounts of Commercial Bills		Overdrafts on Current Deposits & Correspondence	
		sen	%	sen	%	sen	%	sen	%
1925 Apr.	15	537	2.0 (7.30)	2.2 (8.03)	2.0 (7.30)	1.8 (6.57)	2.3 (8.40)	2.1 (7.07)	
1926 Oct.	4	155	1.8 (6.57)	2.0 (7.30)	1.8 (6.57)	1.6 (5.84)	2.0 (7.30)	2.0 (7.30)	
1927 Mar.	9	215	1.7 (6.21)	1.7 (6.21)	1.7 (6.21)	1.5 (5.48)	1.9 (6.44)	1.9 (6.44)	
	Oct.	1,093	1.6 (5.84)	1.6 (5.84)	1.6 (5.84)	1.4 (5.11)	1.8 (6.57)	2.0 (7.30)	
1930 Oct.	7	364	1.5 (5.48)	1.6 (5.84)	1.6 (5.84)	1.6 (5.84)	2.0 (7.30)	2.0 (7.30)	
1931 Oct.	6	30	1.7 (6.21)	1.8 (6.57)	1.8 (6.57)	1.4 (5.11)	1.8 (6.57)	1.8 (6.57)	
	Nov.	5	128	1.9 (6.94)	2.0 (7.30)	1.2 (4.38)	2.2 (8.03)	2.0 (7.30)	
1932 Mar.	12	128	1.7 (6.21)	1.6 (5.84)	1.6 (5.84)	1.2 (4.38)	1.8 (6.57)	1.8 (6.57)	
	June	8	88	1.5 (5.48)	1.4 (5.11)	1.0 (3.65)	1.6 (5.84)	1.4 (5.11)	
	Aug.	18	309	1.3 (4.75)	1.2 (4.38)	0.9 (3.29)	1.4 (5.11)	1.3 (4.75)	
1933 July	3	1,009	1.1 (4.02)	1.1 (4.02)	1.1 (4.02)	0.9 (3.29)	1.2 (4.38)	1.2 (4.38)	
1936 Apr.	7	464	1.0 (3.65)	1.1 (4.02)	1.1 (4.02)	0.9 (3.29)	1.2 (4.38)	1.1 (4.02)	
1937 July	15	68	0.9 (3.29)	1.1 (4.02)	1.1 (4.02)	0.9 (3.29)	1.1 (4.02)	1.1 (4.02)	
	Sept.	21	—	0.9 (3.29)	1.1 (4.02)	0.9 (3.29)	1.1 (4.02)	1.1 (4.02)	

#### Deposit Funds Management Bureau of the Ministry of Finance

(Commonly called "Deposits Bureau")

**Organization of the Deposit Funds Management Bureau** Although the Deposit Funds have been in existence since 1877, it was only after many changes that the present system was established in 1925. The chief of the Deposit Funds Management Bureau is under the control and supervision of the Minister of Finance and he is responsible for its activities and efficiency. Its finances are segregated in a Special Account and the Bureau is given control over the expenditure of its entire revenue. The chief business of the Bureau is not merely confined to the control of deposits, but also includes the investment and management of other funds. The deposits, which are made according to laws and ordinances, consist, for the most part, of postal savings deposits received by the Government; but the Deposit Funds also include other deposits, reserves in the Special Account of the Deposit Funds and surpluses. It may specially be noted that the total of the Deposit Funds reached 7,639 million yen on October 31, 1930, this representing some 1/2 of the total deposits in ordinary banks throughout the country. All business connected with receipt and payment of cash is transacted on behalf of the Bureau by the Bank of Japan in

accordance with instructions from the Minister of Finance.

**Investment of the Deposit Funds** It is laid down by law that the Deposit Funds are to be invested solely for the benefit of the State and the public in profitable and safe manner, and that such investments are to be made only after investigation of their purposes and methods in consultation with the Committee on Investments of the Deposit Funds. The following is an explanation of the nature of the Committee and the methods it employs.

**Committee on Investments of the Deposit Funds** This Committee consists of the following members: The Minister of Finance, as a chairman, the Parliamentary Vice-Minister of Finance, high officials of the Government Offices concerned, one of the Chief Auditors of the Auditing Board, the Governor of the Bank of Japan and other eminent persons in financial circles. The number of full members is not to exceed fifteen; but in order to meet special needs, temporary members may be appointed. The Committee is placed under the supervision of the Minister of Finance, and its function is to answer the questions of the Minister, after both investigation and study of matters relating to the investment of the Deposit Funds has been completed. At the beginning of every fiscal year, the Minister of Finance

is to draw up the necessary plan to govern the investment of the funds to submit it to this Committee, and the same process is to be undertaken should there be any occasion to supplement or to change this plan. In addition to answering the question of the Minister of Finance the Committee may send him proposals concerning the investment of the Deposit Funds. The Minister should present to the Committee, after every fiscal year, a report stating particulars of important matters concerning conditions of investment of the Deposit Funds and changes in the funds invested.

**Method of Investment** As mentioned above, the Deposit Funds are to be invested for the benefit of the State and the public welfare in a profitable and safe manner. Consequently, in conformity with this principle, the investment of funds is to be limited to the following items:

(a) The subscription to, underwriting or purchasing of national loans or making of loans to the General or Special Accounts of the Government.

(b) The subscription to, underwriting or purchasing of local loans, irrigation associations' loans or health insurance associations' loans, or making of loans to local public corporations, irrigation associations or health insurance associations.

(c) The subscription to, underwriting or purchasing of bonds issued by corporations organized under special laws or making of loans redeemable within a period not exceeding three years to these corporations.

(d) Loans to banks organized under special laws but not authorized to issue debentures.

(e) The subscription to and purchasing of foreign Government bonds.

(f) Deposits with the Bank of Japan to be held abroad for designated purposes.

These items only indicate the method of the investment of the funds and the question whether any particular investment is for the promotion of the benefit of the State or public welfare or whether it is profitable and safe is left to the joint consideration and decision of the Minister of Finance and this Committee.

The investment of the Deposit Funds is determined, within the limits mentioned above, at the beginning of every fiscal year. The Deposit Funds Manage-

ment Bureau gives, at the end of March 1930, the following figures of investment, classified according to purposes:

Items	(In ¥1,000)	%
National loans	3,686,492	57.67
Loans to the General and Special Accounts	89,784	1.42
Local funds invested	1,989,890	31.13
Loans to the special banks and companies	247,312	3.87
Special advances	186,024	2.91
Foreign Government bonds	85,243	1.33
Funds held abroad	160	0.00
Cash	99,051	1.55
Others	7,909	0.12
Total	6,391,870	100.00

Local funds representing the funds to be invested for the benefit of local districts to local public corporations, various associations and individuals are advanced from the Deposit Funds Management Bureau to the borrowers either directly or through special banks and similar institutions. These funds are allotted for the following purposes—

A. Advances to be generally made every year for:

(a) Public utility undertakings of public corporations such as water supply works, prevention of disasters, sanitary arrangements, improvement of roads, rivers and harbors, road making and construction of bridges, reclamation works, construction of school-houses and teachers' dwelling-houses, electric and gas enterprises, and tramway, local railway and car enterprises.

(b) Social works such as housing reform and the establishment of public markets, public pawnshops, day nurseries and intelligence offices and others.

(c) Enterprises by various associations such as land adjustment associations, industrial associations, forestry associations, fishery associations, livestock breeding associations, manufacturers' associations and commercial associations and those by federations of these associations.

B. Advances to be made for urgent needs:

Repair works of disasters, reconstruction works necessitated by earthquakes, accommodation to the silk-raising industry, the relief of the unemployed, and accommodation to middle and lower class merchants, manufacturers and farmers.

C. Advances to be made for:



Such institutions as public corporations and various associations in overseas territories.

With regard to the rate of interest paid on the deposit it is to be noted that the rate was reduced as from April 1, 1937 to 2.76% per annum for the greater part of postal savings. The postal savings amount to some 71% of the total amount of the Deposit Funds, and details are given in the Statement of the Deposit Funds. Other deposits are divided into two classes, namely, fixed deposits and ordinary deposits. The rate of interest on fixed deposits is in principle 2.5% per annum, but the rate on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposit Funds Management Bureau is 3%. The rate on post office life annuities and insurance is 3.5%. The rate on ordinary deposits is in principle 0.75% per annum, while that on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposit Funds Management Bureau is 1%. The rates on fixed deposits have been effective since July 1, 1936 and those on ordinary deposits since April 1 of the same year. Turning to the rates for the advances made by the Deposit Fund Management Bureau, it will be found that those for the advances to prefectures, large cities, and local corporations

remain, for the most part, at 3.2% per annum. As to the advances made through banks and similar institutions, the intermediate institutions gain 0.7% and actual borrowers must pay at the rate of 3.9%.

**Plans approved in 1939** Plans for the investments of funds to the amount of ¥1,527,010,000 were made in the fiscal year 1939, and are roughly classified into the following four principal items:—

	(In yen)
(a) Funds for taking up loans to be issued in 1939, and for purchases of loan bonds	1,200,000,000
(b) Advances to the Special Account of the Government of Chosen	6,000,000
(c) Local funds	193,000,000
(d) Funds for the expansion of productive capacity and other funds	127,720,000

In the examination of the above statement, it will be observed that the funds for taking up Government bonds occupy the greater part of the investments. It should, moreover, be noted that the Committee that met on October 31, 1939, has decided upon the investment of additional 200 million yen for the same purpose. Besides these items, considerable short-term loans are to be made this year as usual.

#### STATEMENT OF THE DEPOSIT FUNDS OF THE MINISTRY OF FINANCE (At the end of March)

	(In ¥1,000)			
	1937	1938	1939	1940
<b>Liabilities</b>				
Deposits of the Post Office Savings Bank	3,400,719	3,803,481	4,620,825	6,004,136
Deposits of the Postal Transfer System	101,977	115,097	161,225	190,892
Proceeds of Savings Certificates and Reconstruction Savings Certificates	74,602	93,724	172,671	327,854
Surplus funds of various Special Accounts of the Government	437,321	657,132	547,574	932,286
Certain funds and deposits from public corporations	57,188	46,082	46,368	46,233
Funds in custody and deposits with the Government	43,060	45,191	43,350	49,975
Reserves	548,354	623,094	693,748	760,788
Receipts	246,067	242,095	265,054	341,303
<b>Total</b>	<b>4,909,291</b>	<b>5,626,500</b>	<b>6,550,820</b>	<b>8,653,472</b>
<b>Assets</b>				
Government bonds	2,133,881	2,796,045	3,636,492	5,437,416
Advances to the General and Special Accounts	96,471	92,269	89,784	88,660
Foreign Government bonds	50,596	75,438	85,243	95,108

	1937	1938	1939	1940
Local government and municipal bonds	1,053,059	1,068,282	1,074,349	1,125,922
Advances to local public corporations, etc.	246,853	302,032	307,851	328,903
Debentures of Special Banks, etc.	717,861	675,252	649,113	664,971
Debentures of Special Companies, etc.	63,213	61,515	122,030	220,751
Advances to Special Banks and Companies, etc.	315,826	286,029	266,791	461,013
Deposits	111,938	135,422	110,212	63,956
Expenditures	119,585	133,709	139,810	166,743
Amount written off	3	503	19,135	27
<b>Total</b>	<b>4,909,291</b>	<b>5,626,500</b>	<b>6,550,820</b>	<b>8,653,472</b>

#### PROFIT AND LOSS ACCOUNT OF THE DEPOSIT FUNDS OF THE MINISTRY OF FINANCE

<b>Receipts</b>			
	(In yen)		
	1936—37	1937—38	1938—39
Interest on securities	161,088,426	172,844,865	192,806,695
Interest on advances	16,268,151	22,687,425	22,243,753
Interest on deposits	463,184	463,701	465,834
Transferred from General Account	1,070,000	1,122,000	1,050,000
Profits from the disposal of the specie held abroad	7,953,658	6,968,283	8,623,620
Profits from the sale and redemption of securities and other profits	9,004,611	3,208,401	2,505,745
<b>Total</b>	<b>195,848,030</b>	<b>207,294,675</b>	<b>227,695,647</b>
<b>Payments</b>			
Interest on deposits and commissions	109,877,193	116,389,118	118,475,046
Amount transferred to other Government Accounts	10,440,000	18,730,000	21,957,322
Administrative expenses and others	786,737	1,018,294	1,084,544
Depreciation	3,664	503,077	19,139,303
Transfers to reserves	74,740,436	70,654,186	67,039,432
<b>Total</b>	<b>195,848,030</b>	<b>207,294,675</b>	<b>227,695,647</b>

#### Foreign Exchange

**Foreign Exchange Control Law** It was after the coming into operation on July 1, 1932, of the Capital Flight Prevention Law enacted with the object of controlling movements of capital in and out of the country that the flight of capital through purchases and sales of exchange, remittances to foreign countries, or investments in securities in foreign currencies was prevented almost completely. With the coming into operation on May 1, 1933 of the Foreign Exchange Control Law the Capital Flight Prevention Law was abrogated.

The Government established the Foreign Exchange Control Bureau in the Ministry of Finance as an execution organ of the Foreign Exchange Control Law. It has also created two such committees as the Foreign Currency Valuation Committee and the Foreign Ex-

change Control Committee, the former being authorised to fix the sale price in cases where the Government may, in accordance with the provisions of the Law, require the sale of gold bullion and assets expressed in foreign currencies and the latter acting in consultation with the competent Minister on important matters relating to the enforcement of this Law.

Such authority as has been vested in the Government under the Foreign Exchange Control Law does not operate in all cases. The scope of transactions or acts to be prohibited or restricted and the manner of control are, therefore, provided for in detail in the Ordinance of the Ministry of Finance issued in accordance with this Law (The Ordinance came into force on May 1, 1933, the date of the coming into operation of the Foreign Exchange Control Law). Several amendments have been

made in this Ordinance since its promulgation, the most important amendments having been made on November 27, 1936, and put into effect as from December 1; on December 11, 1937 (effected on the same day, except for certain provisions), on October 8, 1938 (effected on the same day, except for certain provisions which were put into operation as from October 15, 1938) and on June 23, 1939 (effected as from July 1, 1939).

The contents of the Ordinance may be summarized as follows:

#### A. Matters prohibited.

- (1) The mutilation of gold coins.
- (2) Except as necessary for commercial transactions or other actual demand, speculative transactions in exchange. The operations to be controlled under this provision are speculative purchases and sale of foreign currencies, of foreign exchange (drafts, checks, mail transfers, telegraphic transfers and postal transfers whether drawn in Japan on a foreign country, or in a foreign country on Japan), and of yen exchange as between foreign countries.

#### B. Matters restricted.

In cases where the following transactions or acts are carried out, permission of the Minister of Finance is in principle required, except as specially provided for:

- (1) Gold.
  - (a) Export of gold coins, gold bullion, gold alloys, or gold manufactures.
  - (b) Melting down of gold coins.
- (2) Currency and foreign currencies.
  - (a) Purchase of foreign currencies against Japanese currency as counter-value.
  - (b) Transfer of currency or foreign currencies to foreign countries, or the carrying of such currencies by persons travelling abroad.
  - (c) Transfer of Japanese bank notes of denomination of one hundred yen to foreign countries or the carrying of such bank notes by persons travelling abroad.
  - (d) Importation of Japanese bank notes, except in the event of travellers carrying the bank notes not exceeding ¥200 or of the import by Government authorities.
- (3) Foreign Exchange.
  - (a) Purchase of foreign exchange against Japanese currency as counter-value.
  - (b) Sale of foreign exchange to those other than foreign exchange banks against Japanese currency as counter-

value, or sale of foreign exchange for counterbalancing foreign exchange purchased.

#### (4) Yen exchange.

- (a) Purchase of yen exchange drawn on the territories in which Japanese currency has the force of legal tender.
- (b) Sale of yen exchange drawn on foreign countries against foreign currencies as counter-value.
- (c) Purchase of yen exchange drawn on foreign countries against foreign currencies as counter-value, as made for the purpose of counterbalancing exchange sold.

#### (5) Payment by order from a foreign country.

Payments in the territories where this Ordinance is in force by order from a foreign country.

#### (6) Remittances to foreign countries.

Remittance or carrying of currency, foreign currencies, checks or drafts to foreign countries and other categories of remittances.

(7) With respect to the transactions or acts mentioned in (2) to (6) (excluding (c) of (2)), however, no permission is required in the following cases:

- (a) When it is necessary to export merchandise (excluding securities) from Japan or to import merchandise into Japan. (In the case of such import, however, permission is now required under the provisions of Ordinance No. 1 of 1937).
- (b) When it is necessary to make payment of insurance under re-insurance or marine insurance contracts.
- (c) When it is necessary to forward interest of government bonds, company debentures or deposits in banks or profit accruing from cash deposits in trust companies, all payable in Japan, to persons in foreign countries who have rights to receive such interest or profit.
- (d) When it is necessary to deliver the funds required for the service of government bonds or company debentures payable in foreign countries within a period not exceeding 6 months to fulfil the obligations under the contracts.
- (e) When it is necessary to remit expenses required for the application, request, and other procedure made in foreign countries in respect of patent rights and other industrial ownerships.
- (f) When it is necessary for a person travelling abroad to carry currency, foreign currency, or exchange and a sum involved in a letter of credit not exceeding the equivalent of ¥500 in the

aggregate as his own travelling expenses for a period not exceeding one year.

(g) When it is necessary to remit to a person travelling abroad or a person residing abroad not exceeding the equivalent of ¥500 including a sum involved in a letter of credit acquired, amounts of exchange and a letter of credit carried by such person travelling abroad or residing abroad at his departure from Japan as his travelling expense, salary, allowances, school expenses and other expenses of similar nature for a period not exceeding one year, or when it is necessary for a person residing in Japan to remit to a family residing abroad not exceeding the equivalent of ¥500 as living expenses for a period not exceeding one year.

(h) When it is necessary for emigrants designated by the competent Minister to remit the expenses necessary for their settlement, or when remittances are made, in compliance with such emigrants' request, by companies or other corporations engaged in the work of emigration as the expenses necessary for their settlement.

(i) When funds required for undertakings or businesses in the territories in which Japanese currency has the force of legal tender are remitted to such territories by persons who have domicile, head offices, or principal business offices in Japan or in such territories.

(j) When exchange is sold, or payment is made, or exchange is purchased for payment under letters of credit issued in Japan.

(k) When the transactions or acts are made by the Government.

(l) When remittances or payments not exceeding the equivalent of ¥100 are made for a period not exceeding one year.

#### (8) Letters of credit.

Permission of the Minister of Finance is required for the acquisition of all kinds of letters of credit (including travellers' checks), except in the following cases:

(a) When it is necessary for the import of merchandise into Japan or into the territories in which Japanese currency has the force of legal tender.

(In the case of such import, however, permission is now required under the provisions of Ordinance No. 1 of 1937).

(b) When it is necessary to export merchandise from Japan.

(c) When it is necessary to make

payment of insurance under re-insurance and marine insurance contracts.

(d) In certain cases, for instance, in the case of a journey, there are some matters for which no permission is required.

#### (9) Securities.

(a) Export and import of securities (Japanese or foreign Government bonds, company debentures, and shares, or coupons of such bonds and debentures).

(b) Acquisition of foreign currency securities (Japanese or foreign Government bonds, company debentures, shares, or coupons of such bonds and debentures, all expressed in foreign currencies, including registered bonds, company debentures or shares in foreign currencies).

(c) Disposal of foreign securities expressed in foreign currencies.

(10) Deposits and loans expressed in foreign currencies.

Conclusion of contracts of deposits or loans made in Japan to acquire claims or obligations expressed in foreign currencies.

(11) Acquisition of claims expressed in foreign currencies.

Acquisition of claims expressed in foreign currencies (excluding foreign exchange and foreign currency securities) against Japanese currency as counter-value.

(12) Conclusion of contracts of trust and insurance expressed in foreign currencies.

Conclusion in Japan of contracts of trust and insurance (excluding re-insurance and marine insurance) to acquire claims or obligations expressed in foreign currencies.

#### (13) Borrowings and security.

(a) Issue of local government bonds or company debentures expressed in foreign currencies.

(b) Making in foreign countries of loans expressed in foreign currencies on the security of assets held in Japan.

(c) Making of loans expressed in Japanese currency from persons residing in foreign countries on the security of assets held in Japan.

(d) Offering security to the obligations of persons residing in foreign countries.

#### (14) Assets held in foreign countries.

(a) Acquisition of real estate, mining rights, deforestation rights, or industrial ownerships, or vessels of foreign nationality held in foreign countries.

(b) Disposal of assets held abroad

for the purpose of investment in foreign countries or for taking over undertakings, businesses, or investments.

(c) Disposal of assets held abroad for the purpose of investment in Japan, or for taking over undertakings, businesses, or investment in Japan, or for the purpose of acquiring assets held in Japan.

(15) Exports unaccompanied by exchange transactions.

(A) Export of merchandise for the value of which foreign exchange has not been sold to foreign exchange banks. In the following cases, however, no permission of the Minister of Finance is required:—

(a) When merchandise is exported to the territories in which Japanese currency has the force of legal tender.

(b) When merchandise is exported as samples or as donations to other persons.

(c) When merchandise is exported for sale on a consignment basis, or when merchandise imported for sale on a consignment basis is shipped.

(d) When payment for export merchandise has already been received in Japan from foreign countries, before its shipment, or when merchandise is exported in exchange for other merchandise for which payment has already been received in Japan from foreign countries.

(e) When there is a contract that payment for exported merchandise is received in Japan from foreign countries within a period of two months after the exportation of such merchandise.

(f) When merchandise, the price of which is fixed after inspection at its destination, is exported.

(g) When merchandise involving a sum not exceeding the equivalent of ¥20,000 for a month is exported under the contract that payment for such merchandise is transferred to Japan immediately after such payment has been collected under the bill for collection.

(h) When merchandise is exported by the Government, or when merchandise of not more than ¥100 is exported.

(B) Persons who have exported merchandise or securities for the value of which foreign exchange or yen exchange drawn on the territories in which Japanese currency has the force of legal tender has not been sold to foreign exchange banks, or persons who have rights to receive in foreign countries payment for such merchandise or secur-

ities are required to take procedure to have the proceeds transferred to Japan within five months after their arrival at destination, excepting such portions as have been used in necessary disbursements in connection with such merchandise or securities, or such portions as have been applied to payment for merchandise imported into Japan. (It should, however, be noted that in cases where the proceeds are applied to payment for merchandise imported into Japan, permission of the Minister of Finance is now required under the provisions of Ordinance No. 1 of 1937.)

These are the outlines of the Ordinance of the Department of Finance No. 7 of 1933 (as amended) providing for the matters for which permission of the Minister of Finance is required or is not required. There are also many provisions relating to foreign exchange banks and dealers in money exchange.

(16) Foreign exchange banks.

(a) Banks intending to carry on, as from December 1, 1936, the business of foreign exchange in the offices that have already been in existence or newly established are required to obtain permission of the Minister of Finance.

(b) Banks which have notified the Minister of Finance, before November 30, 1936, of the offices which carry on the business of foreign exchange and those which have subsequently been permitted by the same Minister to inaugurate the business of foreign exchange are known as foreign exchange banks.

(c) When foreign exchange banks discontinue the business of foreign exchange in their offices or change the names or places of their offices, notification must beforehand be made to the Minister of Finance.

(d) Greater freedom of the regular exchange transactions or acts is allowed to foreign exchange banks. (In this case, however, permission is now required under the provisions of Ordinance No. 1 of 1937).

(e) In cases where foreign exchange banks become one of the parties to the exchange transactions or the acquisition of letters of credit, they are required to ascertain the legality of their customers' (including banks) transactions or acts.

(17) Dealers in money exchange.

(a) Persons (excluding banks) who make it their principal business to buy and sell foreign currencies are required to notify the Minister of Finance, before

December 31, 1936, of the offices which carry on such business.

(b) Persons intending to carry on, as from December 1, 1936, the business of buying and selling foreign currencies are required beforehand to notify the Minister of Finance of the offices which carry on such business.

(c) Persons who have thus notified the Minister of Finance of the offices which carry on the business of buying and selling foreign currencies are known as dealers in money exchange. Such persons, when changing their offices or discontinuing the business, are required beforehand to notify the Minister of Finance thereof.

(d) No permission of the Minister of Finance is required in cases where dealers in money exchange make purchases of foreign currencies or travellers' checks expressed in foreign currencies in the course of their business. (Under the provisions of Ordinance No. 1 of 1937, however, permission is now required for their purchase of foreign currencies or travellers' checks expressed in foreign currencies. Sales of such currencies or checks are free under Ordinance No. 7 of 1933 as amended, but the Ordinance No. 1 of 1937 provides for the permission for sales of such currencies or checks made as from October 15, 1938).

(e) Dealers in money exchange, when selling foreign currencies or travellers' checks expressed in foreign currencies, are required to ascertain the legality of their customers' transactions or acts.

C. Reports. (Omitted here)

D. Compulsory disposal of assets.

The Minister of Finance may at any time require persons in possession of the following assets to sell them to the Bank of Japan or such other person as the same Minister may designate, may require them to make necessary disposal of such assets, or may prohibit or restrict such disposal:

(1) Gold bullion, foreign currencies, or foreign exchange.

(2) Securities or claims expressed in foreign currencies, or claims expressed in Japanese currency to persons residing in foreign countries.

(3) Assets in foreign countries other than those mentioned in (1) and (2) above.

E. Impress of stamp on foreign currency securities.

Foreign currency securities, the pur-

chase and sale of which have been exceptionally sanctioned, such as foreign currency securities which were in Japan on July 1, 1932 and those imported subsequently under license from the Minister of Finance may, as has been provided for in the Ordinance of the Ministry of Finance issued under the Capital Flight Prevention Law, be presented to the Bank of Japan and impressed with stamp.

In December 1936, however, there was witnessed a marked increase in speculative imports of merchandise. In view of the fact that the continuance of such condition would exert an unfavorable influence upon the future course of the yen exchange, an emergency measure was taken by promulgation of an Ordinance under the Foreign Exchange Control Law to provide for Government permission for exchange transactions necessary for payment for the import of merchandise and to prevent the undue selling of the yen exchange abroad. This Ordinance No. 1 which was put into operation as from January 8, 1937, was of a temporary nature and the period in which it was in force was to expire on July 31, 1937, but subsequent developments of the situation at home and abroad resulted not only in frequent amendments in the Ordinance, but in the date of expiration being postponed. The contents of this Ordinance may be summarized as follows:

(1) Permission of the Minister of Finance is required in principle for exchange transactions and the acquisition of letters of credit necessary for the purpose of making payments for the import of merchandise.

(2) Exchange transactions controlled under this provision comprise the purchase of foreign exchange, the sale of yen exchange in foreign countries, remittances to foreign countries, payments by order from a foreign country, and the delivery of forward exchange contracts as concluded before the coming into effect of this Ordinance.

(3) No permission of the Minister of Finance, however, is required for exchange transactions or the acquisition of letters of credit in the following cases:

(a) When transactions or acts involving not more than the equivalent of 100 yen are made for a period not exceeding one month.

(b) When exchange transactions are made under letters of credit which have

been required by permission, or without permission as specially provided for.

(4) Permission of the Minister of Finance is required in case payments for export merchandise for the value of which foreign exchange has not been sold to foreign exchange banks are applied to payment for import merchandise.

(5) Permission of the Minister of Finance is required in cases where persons who undertake the import of merchandise dispose of foreign currency securities or deposits, advances and other assets expressed in foreign currencies, held in foreign countries, or make in foreign countries loans in foreign currencies on the security of those assets, for the purpose of making necessary payment for the importation.

(6) Permissions mentioned in (1) to (5) above must be obtained before the importation of merchandise.

(7) Permission of the Minister of Finance is required for the import of merchandise for the value of which foreign exchange or yen exchange drawn in the territories in which Japanese currency has the force of legal tender on Japan has not been sold to foreign exchange banks in foreign countries; provided, however, that this does not apply to the following cases:

(a) When merchandise is imported after permission has been obtained under the provisions in (1) to (5) above for transactions or acts necessary for payment of such merchandise.

(b) When merchandise is imported as samples, donations to other persons, or exhibits to exhibitions.

(c) When merchandise shipped from Japan is sent back.

(d) When merchandise is imported for repairs.

(e) When fish caught by vessels which have gone fishing from Japan is imported in same vessels.

(f) When hand luggages or personal belongings by removal of the owner are imported.

(g) When merchandise is imported

by the Government.

(h) When merchandise of not more than ¥100 for one month is imported.

(8) Foreign exchange banks are required, as from April 5, 1938, to obtain permission of the Minister of Finance for purchases and sales of foreign exchange, remittances to foreign countries of money collected by bills for collection, payment by order from a foreign country, export of foreign currency securities for the purpose of receiving payments, the issue of letters of credit, and other transactions or acts for which the greater freedom had formerly been granted only to foreign exchange banks.

(9) No permission of the Minister of Finance had formerly been required under Ordinance No. 7 of 1933 (as amended) for the purchase and sale of foreign currencies or travellers' checks expressed in foreign currencies made by dealers in money exchange. Under the provisions of Ordinance No. 1 of 1937, however, permission is required for such purchases and sales.

It should, moreover, be noted that this Ordinance also provides that foreign exchange banks, when dealing with their customers, should ascertain the legality of the customers' exchange transactions and acts.

**Foreign Exchange Rates** The most important change in Japan's foreign exchange policy during 1939 was the shifting of the yen exchange basis from sterling to the American Dollar. On October 25, the basis of the yen's exchange value was abruptly diverted from British currency to the U.S. dollar, and the standard exchange rate which had hitherto been 1s 2d per yen was altered to \$23 7/16 per 100 yen. This was not an arrangement aimed to depreciate the external value of the yen, but, on the contrary, the step was an expression of the intention of the Government to maintain it at a normal level. The change of foreign exchange rates of the yen since 1937 has been as follows:

#### FOREIGN EXCHANGE RATES

(Yokohama Specie Bank T.T. Selling)

Parity Year & Month	Paris 12,722 Francs per ¥1.00			Hamburg 2,0925 Marks per ¥1.00		
	High fr.	Low fr.	Average fr.	High m.	Low m.	Average m.
1937	8.50	6.11	7.146	0.71 1/4	0.70 1/4	0.7118
1938	10.45	8.45	9.876	0.72 1/4	0.67 3/4	0.7075

Parity Year & Month	Paris 12,722 Francs per ¥1.00			Hamburg 2,0925 Marks per ¥1.00		
	High fr.	Low fr.	Average fr.	High m.	Low m.	Average m.
1939	10.58	10.15	10.319	0.68 1/4	0.57 3/4	0.6454
1939 Apr.	10.30	10.30	10.300	0.68 1/4	0.67 3/4	0.6800
May	10.30	10.30	10.300	0.68	0.68	0.6800
June	10.30	10.30	10.300	0.68 1/4	0.68	0.6801
July	10.30	10.30	10.300	0.68	0.68	0.6800
Aug.	10.30	10.20	10.284	0.68 1/4	0.63 1/2	0.6497
Sept.	10.25	10.15	10.196	0.62 3/4	0.58	0.6018
Oct.	10.30	10.20	10.234	0.58	0.57 3/4	0.5775
Nov.	10.58	10.30	10.494	0.57 3/4	0.57 3/4	0.5775
Dec.	10.58	10.45	10.491	0.57 3/4	0.57 3/4	0.5775
1940 Jan.	10.48	10.33	10.415	0.57 3/4	0.57 3/4	0.5775
Feb.	10.48	10.33	10.419	0.57 3/4	0.57 3/4	0.5775
Mar.	11.83	10.48	10.960	0.58	0.57 3/4	0.5778
Apr.	11.93	11.53	11.704	0.58	0.58	0.5800

Parity Year & Month	Amsterdam 1,2400 Florins per ¥1.00			Rome 9,470 Lira per ¥1.00		
	High fl.	Low fl.	Average fl.	High lr.	Low lr.	Average lr.
1937	0.51	0.50 3/4	0.509	5.47	5.38	5.421
1938	0.52 1/4	0.49 1/2	0.5134	5.54	5.12	5.385
1939	0.51	0.41 1/2	0.4817	5.19	4.20	4.971
1939 Apr.	0.51	0.51	0.51	5.18	5.18	5.180
May	0.51	0.50 1/2	0.5071	5.18	5.18	5.180
June	0.50 1/2	0.50 1/2	0.50 1/2	5.18	5.18	5.180
July	0.51	0.50 1/2	0.5073	5.18	5.18	5.180
Aug.	0.50 1/2	0.46 7/16	0.5026	5.18	4.66	5.114
Sept.	0.48 3/16	0.41 1/2	0.4296	4.77	4.20	4.496
Oct.	0.43 1/4	0.41 1/2	0.4318	4.60	4.55	4.576
Nov.	0.43 1/4	0.43 1/4	0.4325	4.61	4.57	4.606
Dec.	0.43 3/4	0.43 1/4	0.4372	4.61	4.61	4.610
1940 Jan.	0.43 3/4	0.43 1/2	0.4366	4.61	4.61	4.610
Feb.	0.43 3/4	0.43 3/4	0.4369	4.61	4.61	4.610
Mar.	0.43 3/4	0.43 3/4	0.4370	4.61	4.61	4.610
Apr.	0.43 3/4	0.43 3/4	0.4375	4.61	4.61	4.610

London (Parity 2 s. 0.582 d. per ¥1.00)

Year & Month	Tokyo Open Market			Yokohama Specie Bank		
	High s. d.	Low s. d.	Average s. d.	High s. d.	Low s. d.	Average s. d.
1937	1/-2	1/-1 1/16	1/-1.972	1/-2	1/-2	1/-2
1938	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
1939	1/-2 3/4	1/-2	1/-2.054	1/-2 3/4	1/-2	1/-2.054
1939 Apr.	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
May	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
June	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
July	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
Aug.	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
Sept.	1/-2	1/-2	1/-2	1/-2	1/-2	1/-2
Oct.	1/-2 1/16	1/-2	1/-2.010	1/-2 1/16	1/-2	1/-2.010
Nov.	1/-2 3/4	1/-2 1/16	1/-2.323	1/-2 3/4	1/-2 1/16	1/-2.323
Dec.	1/-2 1/2	1/-2 1/4	1/-2.320	1/-2 1/2	1/-2 1/4	1/-2.320
1940 Jan.	1/-2 5/16	1/-2 1/16	1/-2.182	1/-2 5/16	1/-2 1/16	1/-2.182
Feb.	1/-2 1/4	1/-2 1/16	1/-2.182	1/-2 1/4	1/-2 1/16	1/-2.173
Mar.	1/-3 15/16	1/-2 5/16	1/-2.925	1/-4 1/4	1/-2 1/4	1/-2.925
Apr.	1/-4 1/4	1/-3 11/16	1/-3.823	1/-4 1/4	1/-3 11/16	1/-3.946

Year & Month	New York (Parity \$84.396 per ¥100.00)					
	Tokyo Open Market			Yokohama Specie Bank		
	High \$	Low \$	Average \$	High \$	Low \$	Average \$
1937	29 <sup>5</sup> / <sub>16</sub>	28 <sup>7</sup> / <sub>16</sub>	28.724	29 <sup>1</sup> / <sub>2</sub>	28 <sup>1</sup> / <sub>2</sub>	28.817
1938	29 <sup>5</sup> / <sub>16</sub>	27	28.443	29 <sup>1</sup> / <sub>2</sub>	27 <sup>1</sup> / <sub>16</sub>	28.498
1939	27 <sup>5</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	25.981	27 <sup>5</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	25.986
1939 Apr.	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.261	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.261
May	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.285	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.285
June	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.296	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.296
July	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.279	27 <sup>5</sup> / <sub>16</sub>	27 <sup>1</sup> / <sub>2</sub>	27.297
Aug.	27 <sup>1</sup> / <sub>2</sub>	25	26.944	27 <sup>1</sup> / <sub>2</sub>	25	26.944
Sept.	25 <sup>5</sup> / <sub>16</sub>	23 <sup>5</sup> / <sub>16</sub>	23.600	25 <sup>5</sup> / <sub>16</sub>	23 <sup>5</sup> / <sub>16</sub>	23.600
Oct.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438
Nov.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438
Dec.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438
1940 Jan.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438
Feb.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438
Mar.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438
Apr.	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438	23 <sup>7</sup> / <sub>16</sub>	23 <sup>7</sup> / <sub>16</sub>	23.438

## BANKING AND THE MONEY MARKET IN 1939

**Strengthening of the Wartime Monetary Policy** The financial circles of 1939 greatly tended toward slackness in general, owing to the progressive diffusion of the national treasury based on the establishment of the protracted enormous wartime budget. Especially in the first half of the year, in addition to the fact that the increase in demand for funds was suppressed by the strengthening of various controls on economic matters, the strict enforcement of the regulations on capital, etc.; encouragement of savings; and economy in consumption was effected and deposits in the banking organs was enlarged. And since smooth progress was made in the repletion of the funds on hand, even to the absorption of the public loans, a favorable rather than a wartime transition was indicated. But due to the gradual advance of prices of materials and the expansion of economic activity, the demand for currency has made a gradual expansion.

However, in the latter half of the year a gradual loss of balance in the demand and supply of domestic goods was revealed and the price of goods rose step by step. Successive increases in the demand for currency indicated slight irregularities. The outbreak of the European hostilities in September violently stirred the prices of goods and credit circles, and in spite of the September 18 Government Order to Suspend Pricing, the soaring of prices of commodities and the inflation of currency

was especially striking; and furthermore, due to the expansion of commercial transaction accompanied by the activity in monetary circulation, the dulling of the absorption of public loans, nevertheless, gave occasion to discussions on the unwelcome inflation.

However, at the close of the year, a huge amount of capital was raised, owing to the eventual remarkable advance of Government disbursements, the completion of preparations by monetary organs for the close of the year, loans of the Bank of Japan together with those of the capital of the Deposits Bureau through the Industrial Bank of Japan. Thus the year was brought to a close in peace and quiet. Moreover the currency that swelled to an unprecedented high value favorably contracted because of the advance in the absorption of public loans at the close of the year.

Noteworthy points of the wartime monetary policy of the Government during 1939 are as follows:

(a) The Government, reflecting on the prosperity of economic activity which was accompanied by a demand for increase in the amount of circulating medium, in the 74th session of the Diet introduced bills concerning the extraordinary expansion of the issue limit of the convertible bank notes together with that of the notes of the Bank of Chosen and the Bank of Taiwan; these measures were proclaimed and enforced on April 1 and May 1 respectively. Accordingly the limit of

securities of the Bank of Japan was expanded to 500 million yen; the Bank of Chosen, 60 million yen; and the Bank of Taiwan, 30 million yen.

(b) In the same session of the Diet, the Temporary Fund Adjustment Law was partly amended. The outstanding points of the amendment were: (1) the expansion or improvement of industrial equipment was granted not only to companies but also to individuals and public associations; (2) the expansion of the issue limit of industrial enterprise loan bond of the Industrial Bank of Japan from 500 million yen to one billion yen, based on the legislation for the necessary supply of capital for the enlargement of the productive capacity; (3) the increase in the limit of issue of saving bonds from 200 million yen to 500 million yen for the harmonization of the Government absorption of the diffused funds.

(c) On March 31 by virtue of the National General Mobilization Law, regulations concerning company dividend and circulation of capital was promulgated, and the Government is vested with authority to order the Industrial Bank to circulate funds for important industries.

(d) In December, fearing that the floating capital beyond the scope of capital regulations would be circulated among speculators or unimportant industries, the Government revised the standards for regulating industrial funds. The self-regulated monetary limits which were tolerated hitherto by the monetary organs were considerably lowered and restricted. The standard regulating funds were rearranged and the industries for the emergency were classified according to their importance, placing the industries specially designated for the expansion of productive capacity and the industries for the manufacture of arms and aircraft under A-1.

(e) Last but not least to be mentioned is the change in the basis of the yen exchange on October 25 from the English pound to the American dollar. Finally after the opening of European hostilities the Anglo-American cross-rate suddenly dropped and violently fluctuated. Thus, the Japanese yen, linked to the pound, also succumbed and fluctuated. Upon careful consideration of the advantages of the settlement of international accounts of the country the link to the dollar was decided. However, by placing importance in the change in

the standard basis, adaptation was already made during August for the foreseen successive drop of the English pound, and means for the disposal of an appropriate emergency change in Japan-American and English exchange agreements were studied.

**Diffusion of the Public Funds and the Inflation of Currency** The excess payment of the Government continued to increase enormously in 1939, the total amount reaching ¥2,890,000,000. But, on account of the care taken by the Government for payment, and the increase of taxes and postal savings, funds were withdrawn from the money market and in spite of the fact that an excess of about 800 million yen by a single bond was witnessed in December, the total ultimately indicated a decline to a certain extent from the previous year.

The loans of the Bank of Japan, accompanied by the advance of distribution of Government funds and the slackness of the market, favorably contracted during the first half of the year. But upon entering into the period of activity following the outbreak of the European War, they indicated a monthly expansion, which reflected the great increase in demand of capital in foreign exchange banks, owing to the advance of export trade especially at the close of the year when the general loans again increased, attaining the huge sum of 1,080 million yen in a single jump, giving stimulus to an inflation of currency. Ultimately during the latter half, the average value of the remaining loans sharply increased to 510 million yen but, on the other hand, only the special loans contracted smoothly, declining by 40 million yen in comparison with the previous year.

In regard to the currency situation, owing to the slack money market since the beginning of the year, progress was made in the absorption of public loans and the currency that was expanded at the close of the previous year was smoothly collected, but since then, despite the extension of the economic control and the enforcement of the low-price policy, the situation tended toward a successive increase in the demand for currency and especially upon entering into the latter half of the year, and the inflation was accelerated, the amount of issued currency at the close of the year rising to an unprecedented huge sum of 3,817 million yen, with

the average sum issued in the first half of the year amounting to ¥2,202,000,000 and that in the second half, ¥2,540,000,000, while in April, 1939, about 40 million yen was withdrawn in accordance with the consolidation of the old convertible notes, and in May, about 80 million yen from the securities of the Bank of Chosen and the Bank of Taiwan.

The inflation of currency did not stop in the convertible notes of the Bank of Japan and was brought to bear on the notes of the Bank of Chosen and the Bank of Taiwan, especially on the issue of the former at the close of 1939, in reflection of the prosperity of the Peninsular industries, which expanded remarkably to 444 million yen, an increase of about 38 per cent over the corresponding period of the previous year. Moreover, it is to be noted that the marked increase in the issue of small value currency amounted to approximately 259 million yen on December 30 (according to the report of the Bank of Japan), which is an increase of 170 million yen during the past single year.

**Absorption of Public Loans** The volume of public loans issued in 1939, including ¥3,901,500,000 of China Affair bonds and ¥1,380,000,000 of other public bonds, totalled ¥5,281,500,000 which in comparison with the previous year indicated increases in issue of ¥301,500,000 of China Affair bonds and of ¥650,000,000 of other public bonds, or a total of ¥951,500,000. From the above the Deposits Bureau of the Finance Ministry accepted ¥1,380,000,000 (¥650,000,000 in 1938) and the Bank of Japan underwrote ¥3,901,500,000 (¥3,680,500,000 in 1938), of which ¥3,329,000,000 was sold off through the market, government offices and post offices, leaving ¥570,000,000 to be held by the Bank of Japan at the end of the year.

**Outstanding Accounts of Banks** The deposits in banks were further increased due to the increased payment of the National Treasury and the intensification of the funds regulations, in comparison with the previous year, and the total of the nation-wide deposits in special, ordinary and savings banks (exclusive of the Bank of Japan) and money in trust at the end of November and postal savings accounts at the close of 1939 rose to approximately 31,460 million yen, which in comparison with

the figure at the close of the previous year actually showed a remarkable increase of approximately 5,920 million yen, which in turn was a 4,240 million yen increase over 1937 (a difference of 1,700 million yen). The increase in deposits in the Tokyo associated banks alone mounted to 600 million yen in December and the actual increase of deposits in the above-mentioned banking organs at the end of 1939 reached over 7,000 million yen.

It is a direct effect of the nation-wide movement to encourage savings and the power of the Deposits Bureau for underwriting national bonds was greatly increased by the remarkable increase of postal savings deposits.

On the other hand, the aggregate loans of all banks in the country increased by 2,815 million yen as outstanding at the end of 1939, which is a 1,537 million yen increase over the previous year. Regulations on funds were further intensified during 1939, but demand for funds nevertheless augmented owing to the sudden rise of commodity prices and the flourishing commercial transactions.

Moreover, negotiable securities owned by banks increased by 2,870 million yen during the twelve months of 1939, which is 358 million yen more than the increase of the previous year. Of the above, 1,408 million yen was the increase in public bonds and 502 million yen in debentures.

**The Loan Market** In loan floatation circles, accompanied by indications of a slack money market and fruits of the efforts of the financial authorities in the past, very favorable developments were recorded upon entering into 1939, for the corporation bonds amounted to 562 million yen in the first half of the year and 802 million yen in the second half, or a huge total of 1,364 million yen, which in comparison with the 675 million yen of the previous year was actually more than twice, indicating prosperity. Bank bonds amounted to 537 million yen (865 million yen in the previous year) and furthermore, the fact that the Manchoukuo bonds floated in the Japanese market reached 515 million yen represents the expansion of the absorbing power of the loan market in 1939.

**Movement of Paid-up Capital and Industrial Finance** The capital paid in during 1939 totalled 7,895 million yen,

an increase of 609 million yen over the previous year. The amount paid in on corporation bonds in this period boomed to 1,212 million yen from roughly 660 million yen of the previous year representing a special feature of industrial finance during the year. The payment of shares also increased by 107 million yen, the general total attaining the enormous amount of 2,202 million yen.

Moreover, the sum invested for new establishments expanded to 2,795 million yen, reflecting enforcement of the productive expansion policy, centered in the manufacturing and the electric industries. On the other hand, increase of capital of existing companies was 1,084 million yen, a decrease of 650 million yen from the previous year, mainly because of their restriction of increase of capital, being influenced by the restriction of dividends and increase of taxes.

**Interest Rates** The Government pursued a low interest policy on the basis of 3½ per cent for Government bonds, endeavoring to make a low interest rate prevail throughout the country. With deposits in the banks steadily increasing, a downward tendency of interest rates prevailed in the credit situation.

The Finance Ministry held financial conferences at important centers in the provinces from early in 1938 till March 1939, the campaign ending with a conference in Osaka on March 28, 1939. This series of financial conferences resulted in the adoption of 3.4 per cent per annum as the maximum conference rate of interest on fixed deposits for 4 prefectures, of 3.5 per cent for 19 prefectures, 3.6 per cent for 15 prefectures and 3.7 for 8 prefectures. It was decided that 3.0 per cent be adopted as the maximum rate of interest on fixed deposits by the members of the banking syndicate, 3.4 to 3.5 per cent by big provincial banks and 3.5 per cent by other banks though banks in Hokkaido might be regarded as exceptions.

**Postal Savings** Due to the nation-wide thrift drive, postal savings have recorded a remarkable increase since May 1938. The monthly average increase of the deposits in the Postal Sav-

ings Bank was about ¥30,000,000 before the thrift campaign was started, but the monthly average increase from May 1938 till February 1939 stood at ¥75,000,000 and from March 1939 till March 1940 at ¥110,000,000.

**Expansion of the Limit of the Note Issue** While the note issue of the Bank of Japan tended upwards, the Government appropriated ¥300,000,000 from the 801,000,000 yen gold reserve of the Bank of Japan toward the revolving foreign exchange fund on July 19, 1938, thus reducing the gold cover of the bank to some ¥500,000,000. In consequence, excess issue was witnessed in the note issue of the Bank of Japan from time to time, though the issue limit was expanded by ¥700,000,000 by the 73rd session of the Imperial Diet in the spring of 1938. The Government decided to expand the issue limit again and sought legislation for the purpose in the 74th Diet. The new issue limit was enforced on April 1, 1939, enabling the Bank of Japan to expand its issue limit from ¥1,700,000,000 to ¥2,200,000,000, the Bank of Chosen from ¥100,000,000 to ¥160,000,000 and the Bank of Taiwan from ¥50,000,000 to ¥80,000,000.

**Tightening of the Gold Concentration Policy** The Government has vigorously encouraged the increased production of gold since the beginning of the Sino-Japanese conflict, by enacting the Gold Production Law. On May 1, 1938, the Government raised the gold purchasing price from ¥3.77 to ¥3.85 per gram of gold, and on July 15, authorized the Bank of Japan to purchase gold articles, on condition of re-purchase by the sellers at the latter's request. Regulations were promulgated on August 20, tightening restrictions on the use of gold. A census of gold coins, gold bullion and foreign gold coins was taken throughout the country on November 1. In April 1939, a nation-wide drive was started by the Finance Ministry in conjunction with the Home Office for voluntary selling of gold and gold articles to the Government by the people. Government purchases of newly mined gold have been further facilitated by an amendment of the Gold Fund Special Account Law, which authorizes the Government to purchase silver, a by-product in gold mining, together with newly-mined gold.

## CHAPTER X

### COMMERCE AND INDUSTRY

#### Number of Companies

There were a total of 83,042 companies throughout the country at the end of 1938, which showed a decrease of 2,000 or 2.4 per cent from similar figures recorded one year before. The change of the number of companies during the past 10 years is illustrated by the following figures:

Year	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1929	46,692	100	4,990	12.0
1930	51,910	111	5,218	11.2
1931	57,226	123	5,316	10.2
1932	65,041	139	7,815	13.7
1933	71,196	152	6,155	9.5
1934	78,198	167	7,002	9.8
1935	84,146	180	5,948	7.6
1936	87,511	187	3,365	4.0
1937	85,042	182	-2,469	-2.8
1938	83,042	178	-2,000	-2.4

#### Kinds of Companies

Of the 83,042 companies, 15,610 were Gomei Kaisha (unlimited partnership), 39,106 were Goshi Kaisha (limited partnerships), 28,294 were Kabushiki Kaisha (joint-stock companies), 28 were Kabushiki Goshi Kaisha (joint-stock limited partnerships) and 4 were Sogo Kaisha (mutual companies). The number of Gomei Kaisha decreased by 777 as compared with that recorded a year ago. The number of Goshi Kaisha also

decreased by 3,248 and that of Kabushiki Goshi Kaisha decreased by 3, while that of Kabushiki Kaisha increased by 2,028, indicating improvement in the organization of companies.

#### Capitalization of Companies

Among these companies there were in 1938, 53,712 companies with an authorized capital of less than ¥50,000, the largest in number, while the number of companies with an authorized capital between ¥5,000,000 and ¥10,000,000 was 447, comprising the least number. The number of companies classified according to capitalization follows:

Authorized Capital (in yen)	No. of Companies	Percentage
Less than 50,000	53,712	64.7
50,000-100,000	9,185	11.1
100,000-500,000	13,894	25.8
500,000-1,000,000	2,369	2.8
1,000,000-5,000,000	2,847	3.4
5,000,000-10,000,000	447	0.5
More than 10,000,000	588	0.7
Total	83,042	100.0

Those with an authorized capital of less than ¥500,000 decreased by 4,501, or 8 per cent, while those with an authorized capital of more than ¥1,000,000 increased by 156 or 4.1 per cent over the previous year. Further details in this connection are given in index number as follows:

#### INDEX NUMBER OF COMPANIES BY CAPITAL

Year	Less than ¥50,000	Over ¥50,000 and less than ¥100,000	Over ¥100,000 and less than ¥500,000	Over ¥500,000 and less than ¥1,000,000	Over ¥1,000,000 and less than ¥5,000,000	Over ¥5,000,000 and less than ¥10,000,000	Over ¥10,000,000
1927	100	100	100	100	100	100	100
1928	114	105	101	97	99	102	105
1929	135	112	105	99	101	103	110
1930	158	119	107	97	100	104	109
1931	183	123	107	94	98	101	109
1932	220	128	108	92	99	99	109
1933	246	135	112	95	99	98	109
1934	274	147	120	98	103	104	113

## COMPANIES

Year	Less than ¥50,000	Over ¥50,000 and less than ¥100,000	Over ¥100,000 and less than ¥500,000	Over ¥500,000 and less than ¥1,000,000	Over ¥1,000,000 and less than ¥5,000,000	Over ¥5,000,000 and less than ¥10,000,000	Over ¥10,000,000
1935	294	162	128	104	108	113	116
1936	302	175	139	109	114	122	123
1937	283	179	148	114	125	134	145
1938	262	187	172	112	128	141	158

#### Kinds of Enterprises

The greater part of the companies are engaged in commerce as shown by the figures recorded at the end of 1938 which placed the commercial firms at 43,040 or 51.8 per cent of the total. Those engaged in the manufacturing industry numbered 30,565 (36.7%); those in transport business, 6,370 (7.7%); those in agriculture, 1,763; those in mining, 991;

and those in fishery, 313. It is to be noted in this respect that those classified under the heading of commerce include those dealing in merchandise, in warehouse business, in banking and in insurance business as well.

The following is a table showing the increasing tendency of the various companies during the past 10 years in index number:

#### INDEX NUMBER OF COMPANIES BY ENTERPRISE

Year	Agriculture	Fishery	Mining	Manufacturing Industry	Commerce	Transport
1929	100	100	100	100	100	100
1930	107	105	95	110	113	109
1931	124	109	97	120	126	116
1932	169	115	99	136	144	124
1933	190	117	108	149	159	130
1934	225	122	131	163	174	140
1935	241	123	155	176	187	148
1936	244	129	177	186	192	156
1937	239	131	212	184	184	157
1938	217	116	252	184	176	155

#### NUMBER, CAPITAL AND BUSINESS CONDITIONS OF COMPANIES IN JAPAN PROPER

##### Business Results of Companies

(Amount in yen)

Year	No. of Companies	Capital	Reserves	Total Net Profit	Dividend	Loss
1930	51,910	19,633,761,001	2,890,574,464	919,419,134	650,929,435	311,666,987
1931	57,226	19,551,543,522	2,892,130,298	743,674,676	549,313,737	272,977,645
1932	65,041	19,484,540,099	2,934,912,608	830,322,113	545,112,912	201,617,106
1933	71,196	19,960,318,207	2,992,993,198	1,092,033,665	638,799,501	138,608,044
1934	78,198	21,126,978,409	3,317,792,057	1,329,053,672	777,697,886	148,710,392
1935	84,146	22,352,402,224	3,609,218,698	1,510,294,180	903,013,099	109,388,955
1936	87,511	23,977,761,065	3,986,663,110	1,682,681,941	1,009,358,614	118,143,245
1937	85,042	26,912,152,345	4,305,417,115	2,008,815,507	1,200,848,789	111,333,703
1938	83,042	30,250,178,604	4,823,040,937	2,414,852,806	1,393,379,120	90,913,761

## Agricultural Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1930	867	203,227,418	11,425,580	2,981,236	2,194,957	4,634,053
1931	1,005	179,419,567	9,410,873	1,101,824	930,572	4,794,527
1932	1,370	175,921,870	9,549,321	1,190,261	845,917	3,489,771
1933	1,548	172,688,571	10,185,207	2,247,291	1,385,094	2,253,861
1934	1,833	179,817,967	11,408,104	4,562,729	2,600,127	2,617,079
1935	1,957	178,378,964	13,054,122	5,824,581	4,238,327	2,848,996
1936	1,987	184,422,763	13,116,044	6,747,455	4,471,217	1,401,934
1937	1,942	199,981,339	13,903,841	8,749,496	6,474,018	1,577,020
1938	1,763	216,174,635	14,059,678	8,428,878	5,563,702	1,876,810

## Fisheries Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1930	283	137,219,262	11,284,817	4,865,842	3,536,437	4,069,709
1931	294	127,245,564	10,535,168	1,555,358	1,180,065	2,496,473
1932	309	149,269,571	10,091,826	6,470,393	3,871,431	2,198,027
1933	316	144,111,727	9,616,241	8,037,036	6,018,768	978,924
1934	324	142,754,058	9,345,619	11,755,919	8,795,758	1,160,121
1935	332	151,089,613	13,911,080	16,320,589	10,136,150	1,360,076
1936	346	182,241,152	16,665,136	15,491,053	10,367,297	900,904
1937	353	253,677,652	24,033,043	16,077,870	10,776,322	1,368,416
1938	313	263,093,982	27,901,291	21,173,009	16,022,402	1,732,257

## Mining Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1930	376	954,242,273	100,696,580	30,339,837	22,930,041	23,112,090
1931	383	961,868,883	97,793,798	19,027,144	15,651,820	15,857,406
1932	389	951,969,923	96,981,747	26,812,546	19,093,927	12,647,560
1933	427	975,954,664	96,736,497	50,605,374	31,914,230	5,509,475
1934	515	1,066,990,905	120,127,123	76,317,610	49,989,059	2,228,960
1935	611	1,269,098,458	141,984,183	98,089,442	63,862,501	3,250,889
1936	697	1,418,426,383	170,580,240	113,489,849	69,684,072	8,916,621
1937	836	1,758,504,011	210,737,740	131,457,216	85,221,659	7,027,587
1938	991	2,294,097,623	246,328,767	179,034,250	107,928,726	8,369,046

## Industrial Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1930	18,205	7,543,682,190	822,698,093	374,118,326	305,306,554	110,432,691
1931	19,969	7,673,518,695	827,873,104	340,977,420	268,876,915	93,350,984
1932	22,575	7,571,152,934	863,546,716	359,856,144	261,873,820	58,961,769
1933	24,717	8,008,172,269	905,296,435	493,721,537	310,217,934	40,159,609
1934	27,067	8,825,335,800	1,034,280,329	614,251,026	392,603,151	63,235,825
1935	29,312	9,456,415,605	1,202,110,825	752,602,721	480,508,664	33,068,171
1936	30,986	10,701,376,368	1,371,321,074	839,868,165	542,065,633	40,950,550
1937	34,518	12,851,303,576	1,597,920,518	1,026,367,425	648,736,061	37,362,611
1938	30,565	14,972,278,836	1,965,666,396	1,313,700,622	783,334,336	31,435,087

## Commercial Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1930	27,691	8,462,456,943	1,781,346,341	440,133,263	258,998,466	139,949,004
1931	30,794	8,292,845,679	1,783,832,237	324,341,080	216,505,974	137,501,905
1932	35,315	8,325,581,416	1,789,408,407	385,676,586	220,975,645	105,951,777

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1933	38,850	8,350,747,964	1,803,069,497	479,743,200	251,077,831	73,901,069
1934	42,716	8,610,933,679	1,965,678,690	553,716,588	281,054,019	71,881,733
1935	45,852	8,965,151,295	2,041,359,679	542,051,927	286,177,248	62,257,141
1936	47,090	9,105,441,190	2,205,007,423	608,212,852	319,615,445	58,794,378
1937	44,953	9,299,678,059	2,223,407,286	679,650,816	370,946,405	57,068,974
1938	43,040	9,830,539,065	2,285,799,424	725,874,129	382,964,737	42,373,993

## Transportation Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1930	4,488	2,332,932,915	163,123,107	66,980,630	57,962,980	29,469,440
1931	4,781	2,316,645,134	162,685,118	56,671,850	46,168,391	18,976,350
1932	5,083	2,310,644,398	165,334,588	50,316,183	38,452,172	18,368,202
1933	5,338	2,308,643,012	168,089,321	57,779,227	38,185,654	15,805,106
1934	5,739	2,301,140,000	176,952,192	68,449,800	44,655,772	7,586,674
1935	6,082	2,332,268,289	196,798,809	95,404,920	58,090,209	6,603,683
1936	6,405	2,385,583,209	209,973,193	98,872,567	63,154,950	7,178,858
1937	6,440	2,549,007,708	235,414,687	146,512,684	80,694,324	6,829,095
1938	6,370	2,673,994,463	283,285,381	166,641,918	97,515,217	5,126,568

## OUTSTANDING AMOUNT OF BANK AND CORPORATION BONDS

(At the end of the year)

(Compiled by the Bank of Japan)

	Internal Bonds	1935	1936	1937	1938
Bank bonds					
Hypothec debentures		278,178	711,258	936,892	893,011
Savings bonds		—	—	30,000	119,760
Reconstruction savings certificates		76,854	76,025	75,245	74,439
Debentures of the Industrial Bank of Japan		279,254	243,091	640,759	872,033
Debentures of the Hokkaidō Colonization Bank		124,818	121,330	119,066	104,729
Debentures of Agricultural & Industrial Banks		428,746	355,506	135,146	115,388
Debentures of the Chosen Industrial Bank		278,674	326,230	344,656	389,572
Total		1,916,525	1,833,443	2,281,766	2,568,936
Corporation bonds					
Railway and tramway		1,132,066	1,267,904	1,286,298	1,387,830
Shipping and shipbuilding		61,190	77,470	73,450	65,380
Mining and metallurgy		32,689	24,027	83,426	109,535
Electric and gas works		1,064,359	983,740	985,324	1,052,896
Spinning and weaving		206,827	187,395	197,215	211,736
Manufacturing		324,339	315,246	235,725	433,734
Commercial, etc.		212,382	255,165	269,614	371,022
Total		3,025,190	3,150,655	3,131,054	3,632,584
Total internal bonds		4,941,716	4,984,098	5,412,821	6,201,520
External Bonds					
Bank bonds					
Debentures of the Industrial Bank of Japan		—	—	—	—
Debentures of the Hokkaidō Colonization Bank		—	—	—	—
Total		—	—	—	—



	1935	1936	1937	1938
Corporation bonds		(In ¥1,000)		
Railway and tramway	—	—	—	—
Electric and gas works	279,691	268,826	257,527	243,615
Railway and tramway	—	—	—	—
Commercial, etc.	56,340	54,807	52,207	50,896
Total	336,031	323,633	310,734	294,511
Total external bonds	336,031	323,633	310,734	294,511
Grand Total	5,277,748	5,307,732	5,723,555	6,496,031

## EXTERNAL LOANS OF PRIVATE COMPANIES

Companies	Year of Issue	Rate of Interest %	Issue Price	Amount of Issue	Amount outstanding at the end of 1938
Outstanding Issue					
Oriental Development Co., Ltd.	Mar., 1923	6.0	92.0	\$ 19,900,000 (39,919,400)	\$ 12,263,000 (24,599,578)
Do	Nov., 1928	5.5	90.0	\$ 19,900,000 (39,919,400)	\$ 13,109,000 (26,296,654)
Nippon Electric Power Co., Ltd.	Jan., 1928	6.5	94.0	\$ 9,000,000 (18,054,000)	\$ 6,032,000 (12,100,192)
Daidō Electric Power Co., Ltd.	Aug., 1924	7.0	91.5	\$ 15,000,000 (30,090,000)	\$ 5,097,000 (10,224,582)
Do	July, 1925	6.5	86.0	\$ 13,500,000 (27,081,000)	\$ 5,036,000 (10,102,216)
Tokyo Electric Light Co., Ltd.	June, 1928	6.0	95.5	\$ 70,000,000 (140,420,000)	\$ 53,509,000 (107,339,054)
Do	June, 1927	6.0	90.0	£ 4,500,000 (43,933,500)	£ 3,554,050 (34,698,190)
Do					
Shinyetsu Electric Power Co., Ltd.	Dec., 1928	6.5	93½	\$ 7,650,000 (15,345,900)	\$ 5,310,000 (10,651,860)
Ujigawa Electric Power Co., Ltd.	Mar., 1925	7.0	91.0	\$ 14,000,000 (28,084,000)	\$ 5,025,500 (10,081,153)
Toho Electric Power Co., Ltd.	Mar., 1925	7.0	90.5	\$ 15,000,000 (30,090,000)	\$ 2,232,500 (4,478,395)
Do	July, 1925	5.0	97.0	£ 300,000 (2,928,900)	£ 123,520 (1,205,926)
Taiwan Electric Power Co., Ltd.	July, 1931	5.5	93½	\$ 22,800,000 (45,736,800)	\$ 21,267,000 (42,661,602)
Total	—	—	—	(461,602,900)	(294,439,402)

Note: Figures in parenthesis denote corresponding amount in yen.

## BOURSES

(Ministry of Commerce and Industry Figures)

Joint-Stock Companies  
(Amount in yen)

Year	At the End of Year			
	Number of Companies	Number of Brokers	Authorized	Capital Paid-up
1932	31	861	138,802,300	105,628,200
1933	29	918	138,802,300	105,745,200

## BOURSES

Year	Number of Companies	At the End of Year		
		Number of Brokers	Authorized	Capital Paid-up
1934	26	914	141,402,200	108,237,300
1935	26	898	141,002,200	108,087,200
1936	26	859	141,002,200	108,087,200
1937	26	838	141,002,200	108,962,200
1938	26	795	141,002,200	108,962,200

## During the Year

Year	Fees	Receipts Others	Total	Expenses		
				Tax on Bourses	Others	Total
1932	13,700,918	6,236,902	19,993,782	2,076,346	6,992,606	9,068,952
1933	18,856,435	6,963,927	25,820,362	2,840,617	8,810,732	11,651,349
1934	16,631,634	7,567,536	24,199,170	2,508,929	9,667,401	12,176,330
1935	15,337,320	6,960,340	22,297,660	2,295,734	8,162,535	10,458,269
1936	15,001,237	6,719,005	21,720,242	2,227,416	7,986,596	10,214,012
1937	22,154,164	7,486,548	29,640,712	3,567,717	11,070,285	14,638,002
1938	14,331,272	8,300,818	22,632,090	2,364,315	9,542,928	11,907,243

## During the Year

Year	Net Profit		Loss	Dividend
1932	10,924,830		24,195	7,997,109
1933	14,197,632		28,612	9,639,337
1934	12,026,918		4,078	7,920,831
1935	11,853,311		13,920	8,214,486
1936	11,515,629		9,399	8,140,473
1937	15,009,738		7,028	9,749,263
1938	10,734,899		10,052	7,168,255

Associations  
(Amount in yen)

Year	At the End of Year			
	Number of Associations	Number of Members	Contribution Amount	Reserve Funds
1932	6	183	559,270	593,564
1933	6	187	562,950	732,537
1934	6	188	568,550	905,428
1935	6	188	571,450	1,036,420
1936	6	196	577,950	1,260,196
1937	7	236	656,850	1,546,903
1938	7	239	663,450	1,778,106

## During the Year

Year	Fees	Receipts Others	Total	Expenses
1933	316,993	76,923	393,916	161,044
1934	226,789	79,671	306,460	157,353
1935	311,128	81,407	392,535	187,615
1936	338,786	99,204	437,990	193,686
1937	597,142	96,628	693,770	322,628
1938	278,028	96,707	374,735	247,800

TRANSACTIONS IN SHARES, BONDS AND PRINCIPAL COMMODITIES  
AT THE BOURSES

Shares						
Year	Number of Bourses	Long Term		Short Term		Amount of Deliveries
		Amount of Sales	Amount of Deliveries	Amount of Sales	Amount of Deliveries	
1932	11	46,238,900	6,857,770	165,252,540	22,829,120	
1933	11	57,275,810	11,316,750	216,429,210	26,872,090	
1934	11	62,291,090	11,982,120	198,729,380	23,041,310	
1935	11	41,065,140	8,153,130	214,320,750	23,545,450	
1936	11	53,176,290	9,920,920	183,892,540	24,513,640	
1937	11	72,943,670	13,933,380	289,128,520	34,115,900	
1938	11	37,037,430	8,488,680	189,024,490	21,145,190	

  

Bonds						
Year	No. of Bourses	Long Term		No. of Bourses	Rice	
		Amount of Sales	Amount of Deliveries		Amount of Sales	Amount of Deliveries
		(In yen)			Hectolitres	Hectolitres
1930	2	295,620,000	33,410,000	25	398,580,769	1,618,303
		fr. 45,980,000	fr. 21,070,000			
1931	2	793,835,000	166,950,000	25	369,669,508	2,176,046
		fr. 289,770,000	fr. 84,620,000			
1932	2	740,755,000	148,845,000	24	400,031,293	3,061,235
		fr. 279,210,000	fr. 39,420,000			
1933	2	536,370,000	126,190,000	24	224,276,342	2,248,032
		fr. 624,970,000	fr. 87,760,000			
1934	2	412,995,000	99,730,000	24	198,615,902	1,842,333
		fr. 513,240,000	fr. 65,430,000			
1935	2	539,620,000	52,170,000	24	171,639,691	2,631,904
		fr. 271,170,000	fr. 26,920,000			
1936	2	553,325,000	55,090,000	24	76,976,800*	772,200*
		fr. 243,360,000	fr. 25,490,000			
1937	2	585,310,000	15,840,000	24	84,804,200*	667,700*
		fr. 208,390,000	fr. 13,120,000			
1938	2	364,015,000	25,610,000	24	42,608,800*	762,000*
		fr. 17,280,000	fr. 11,070,000			

(Note: \* indicates "koku")

Year	No. of Bourses	Raw Silk		No. of Bourses	Cotton Yarn	
		Amount of Sales	Amount of Deliveries		Amount of Sales	Amount of Deliveries
		kg.	kg.		Bales	Bales
1930	2	29,641,596	480,000	3	10,048,140	54,530
1931	2	44,030,220	2,328,000	3	8,162,960	20,870
1932	2	41,077,140	1,250,400	3	10,492,050	58,000
1933	2	44,379,840	652,800	3	9,398,060	28,625
1934	2	48,118,800	1,020,000	3	8,010,060	42,170
1935	2	802,060,200	1,086,000	3	8,327,190	26,510
1936	2	178,814,400(kin)	2,041,000(kin)	3	9,070,880	37,030
1937	2	162,722,000(kin)	1,285,000(kin)	3	16,461,390	41,280
1938	2	115,201,600(kin)	1,695,000(kin)	3	2,243,200	710

## FACTORIES

(Compiled by the Ministry of Commerce and Industry)

End of	No. of Factories Worked by Motors	No. of Factories not Worked by Motors	Total No. of Factories	No. of Operatives Employed		
				Male	Female	Total
1930	51,407	10,827	62,234	796,282	887,281	1,683,563
1931	53,442	10,994	64,436	775,236	886,266	1,661,502
1932	56,453	10,865	67,318	846,307	887,204	1,733,511
1933	61,203	10,737	71,940	967,659	933,432	1,901,091
1934	68,306	12,005	80,311	1,147,097	1,016,356	2,163,453
1935	73,302	11,872	85,174	1,287,575	1,081,702	2,369,277
1936	78,670	11,932	90,602	1,458,398	1,134,289	2,592,687
1937	91,618	14,387	106,005	1,727,032	1,209,480	2,936,512
1938	98,119	14,213	112,332	1,997,807	1,217,614	3,215,421

End of	No. of Other Workers			Grand Total of Workers	Production (In yen)
	Official	Technicians	Others		
1930	76,391	55,885	69,679	1,885,518	5,962,810,401
1931	74,868	54,019	62,410	1,852,799	5,174,578,927
1932	78,033	55,566	64,675	1,931,785	5,982,469,433
1933	85,406	59,742	66,630	2,112,869	7,871,364,449
1934	97,870	68,631	72,858	2,402,812	9,390,060,374
1935	108,693	76,455	76,941	2,631,366	10,836,894,120
1936	119,303	84,584	79,098	2,875,672	12,257,588,046
1937	138,810	95,245	94,983	3,265,550	16,412,452,730
1938	165,684	111,975	111,208	3,604,283	19,667,219,686

Note: Figures are for the factories which employ more than 5 operatives each.

## CHANGE IN NUMBER OF FACTORIES AND OPERATIVES AND AMOUNTS OF PRODUCTION BY KIND

(Compiled by the Department of Commerce and Industry)

## (1) Number of Factories

Year	Number	Percentage of Increase over the Previous Year	Year	Number	Percentage of Increase over the Previous Year
1929	59,887	7.0	1934	80,311	11.6
1930	62,234	3.9	1935	85,174	6.1
1931	64,436	3.5	1936	90,602	6.4
1932	67,318	4.5	1937	106,005	17.0
1933	71,940	6.9	1938	112,332	5.6

## (2) Number of Factories by Kind

Kind of Industry	Number			Percentage		
	1931	1937	1938	1931	1937	1938
Total	64,436	106,005	112,332	100	100	100
Spinning and weaving	20,965	28,133	28,092	32.5	26.6	25.0
Metal	4,133	10,076	11,135	6.4	9.5	9.9
Machine and tool	5,850	14,636	17,570	9.1	13.8	15.6
Ceramic	3,167	4,990	4,816	4.9	4.7	4.2
Chemical	3,389	5,820	6,146	5.3	5.5	5.4
Timber and woodwork	5,200	9,880	10,629	8.0	9.3	9.4
Printing and bookbinding	2,948	3,857	3,932	4.6	3.6	3.5
Foodstuff	12,567	16,518	16,944	19.8	15.6	15.0
Gas & electric manufactres	498	656	669	0.8	0.6	0.5
Miscellaneous	5,719	11,439	12,399	8.9	10.8	11.0

## (3) Number of Operatives

Kind of Industry	Number			Percentage		
	1931	1937	1938	1931	1937	1938
Total	1,660,332	2,936,512	3,215,421	100	100	100
Spinning and weaving	898,792	1,032,510	976,953	54.1	35.2	30.3
Metal	84,269	310,490	377,398	5.1	10.6	11.7
Machine and tool	158,351	601,684	860,431	9.5	20.5	26.8
Ceramic	56,731	112,857	105,345	3.4	3.8	3.2
Chemical	122,461	322,796	322,205	7.4	11.0	10.0
Timber and woodwork	56,658	107,869	113,823	3.4	3.7	3.4
Printing and bookbinding	51,367	64,652	63,568	3.1	2.2	1.9
Foodstuff	133,516	185,508	190,697	8.1	6.3	5.9
Gas & electric manufactures	8,248	9,286	10,517	0.5	0.3	0.3
Miscellaneous	89,939	188,860	194,484	5.4	6.4	6.0

## (4) Production

Kind of Industry	(Amount in ¥1,000)			Percentage		
	1931	1937	1938	1931	1937	1938
Total	5,178,135	16,412,452	19,667,219	100	100	100
Spinning & weaving	1,926,807	4,242,258	3,984,829	37.2	25.8	20.2
Metal	431,438	3,488,038	4,687,166	8.3	21.2	23.8
Machine & tool	498,014	2,557,201	3,821,881	9.6	15.6	19.9
Ceramic	144,712	405,287	403,646	2.8	2.5	2.0
Chemical	816,559	2,917,030	3,460,581	15.8	17.8	17.6
Timber & woodwork	146,906	379,474	457,302	2.8	2.3	2.3
Printing & bookbinding	176,712	273,253	281,169	3.4	1.7	1.4
Foodstuff	837,773	1,524,939	1,786,275	16.2	9.3	9.8
Gas & electric manufactures	14,758	28,413	47,190	0.3	0.2	0.2
Miscellaneous	184,453	596,555	737,175	3.6	3.6	3.7

## AGRICULTURAL AND INDUSTRIAL PRODUCTS IN JAPAN PROPER

## IN 1937 AND 1938

(In yen)

	1937	1938		1937	1938
Agricultural products	3,243,653,597	3,426,035,468	Fishery products	349,859,324	398,868,055
Rice	2,071,889,318	2,172,706,376	Fish	241,830,563	272,417,959
Barley	403,613,540	405,192,966	Shells	16,162,026	16,267,512
Vegetables	259,306,238	287,803,120	Seaweeds	24,915,184	23,697,451
Fruits	92,114,502	115,103,371	Others	66,951,551	86,485,131
Potatoes	91,214,087	100,012,464	Industrial products	16,412,452,730	19,667,219,686
Others	325,515,912	345,217,171	Textiles	4,242,258,108	3,984,829,857
Cocoons	419,609,741	346,034,764	Metallic products	3,488,038,477	4,687,166,893
Live stock products	261,595,010	300,526,477	Machine and tools	2,557,201,510	3,821,881,276
Meats	113,198,872	130,544,238	Ceramics	405,287,415	403,646,269
Eggs	100,129,706	113,495,566	Chemicals	2,917,030,415	3,460,581,603
Milk	37,169,007	44,093,769	Wooden manufactures	379,474,062	457,302,787
Others	11,099,425	12,392,904	Printing and book-binding	273,253,762	281,169,917
Forestry products	403,315,203	531,659,181	Foodstuffs	1,524,939,782	1,786,275,189
Lumber	189,088,543	279,358,666			
Fuel woods	34,098,828	38,322,802			
Charcoal	131,460,169	161,477,762			
Others	48,667,663	52,499,951			

	1937	1938
Others	596,555,296	737,175,252
Gas & electric by-products	28,413,620	47,190,583
Mine products	610,185,000	—
	(estimated)	
Total	21,700,670,605	24,670,343,631
	(estimated)	

Note: The amount of industrial products represents only that of the products in the private factories where more than five operatives are employed. The total for 1938 does not include mine products.

Production of Minor Factories There are in Japan a great number of minor

factories engaged in various industries where less than 5 persons are employed and which do not come under the control of the Factory Law. Accordingly, most of the industrial statistics given in the following chapters on industrial subjects are of factories where more than 5 persons are employed. The Ministry of Commerce and Industry gives statistics on more than 20 kinds of industries in which the largest number of such minor factories are engaged. The following table includes most of them, the production of which alone reaches nearly 4.7 per cent of the total production of the factories where more than 5 operatives are employed given above.

## VALUE OF INDUSTRIAL PRODUCTS IN FACTORIES WHERE LESS THAN 5 PERSONS ARE EMPLOYED IN 1938

(In yen)

	Production of Factories Where More Than 5 Persons Are Employed	Production of All Factories	Production of Factories Where Less Than 5 Persons Are Employed
Cotton tissues	642,936,338	888,221,082	245,284,744
Silk tissue, and cotton and silk mixtures	504,577,316	785,525,041	280,947,725
Hemp tissue, and hemp and cloth mixtures	34,958,611	36,258,957	1,300,346
Woolen fabrics and mixtures	220,392,134	347,507,709	127,115,576
Knitted goods	73,632,153	118,891,464	45,259,311
Ceramics	69,273,792	100,007,896	30,734,104
Roof tiles	5,490,858	25,350,919	19,860,061
Lacquerware	2,112,208	46,083,048	43,970,840
Leather and manufactures	34,299,922	44,834,676	10,536,554
Bamboo articles	3,114,935	12,038,754	8,923,819
Wood-work	194,726,004	260,176,819	65,450,315
Cane-work	1,049,257	2,124,637	1,075,380
Wicker-work	347,563	3,570,059	3,222,496
Brushes	4,894,917	8,719,048	3,224,131
Japanese mats	556,715	21,037,163	20,480,448
Other mats and hanamushiro	1,646,195	18,427,636	16,781,441
Straw and wood-shaving plaits	2,521,316	6,046,826	3,525,510
Total	1,796,530,234	2,724,221,734	927,691,500

## NUMBER OF APPLICATIONS AND GRANTS FOR PATENTS, DESIGNS, ETC. ACCORDING TO NATIONALITIES

(Compiled by the Patent Bureau, Ministry of Commerce and Industry)

Kinds	Year	Applied for		Registered	
		Japanese	Foreigners	Japanese	Foreigners
Patents:	1932	12,176	1,702	13,878	3,437
	1933	12,110	1,794	13,904	4,306
	1934	12,822	1,900	14,722	3,743
	1935	14,785	1,887	16,645	3,816
				1,309	4,846
				1,196	5,502
				930	4,673
				950	4,766

Kinds	Year	Applied for		Registered		Total	Total
		Japanese	Foreigners	Japanese	Foreigners		
	1936	16,132	2,379	3,994	842	18,511	4,830
	1937	14,772	2,609	3,725	890	17,381	4,615
	1938	15,792	2,419	3,902	941	18,211	4,843
	1885-1938 total	329,884	54,855	84,292	30,536	384,739	114,828
Utility models:							
	1932	33,666	315	11,782	206	33,981	11,988
	1933	32,502	341	15,680	260	32,843	15,940
	1934	34,557	382	13,978	272	34,939	14,250
	1935	40,580	408	14,014	226	40,988	14,240
	1936	44,210	422	15,396	274	44,632	15,670
	1937	38,110	473	13,686	264	38,583	13,950
	1938	35,048	376	14,267	263	35,424	14,530
	1905-1938 total	783,891	4,392	250,768	2,549	788,283	253,317
Designs:							
	1932	9,172	23	4,547	20	9,195	4,567
	1933	9,388	39	4,044	13	9,427	4,057
	1934	9,566	45	4,611	26	9,611	4,052
	1935	12,285	79	5,434	40	12,364	5,474
	1936	14,568	58	5,629	33	14,626	5,662
	1937	10,102	50	4,447	17	10,152	4,464
	1938	7,201	58	4,277	24	7,259	4,301
	1890-1938 total	193,466	958	88,801	416	194,424	89,217
Trade Marks:							
	1932	20,648	881	9,873	703	21,529	10,576
	1933	22,986	1,056	11,867	763	24,042	12,630
	1934	25,484	802	12,575	753	26,286	13,328
	1935	28,912	749	13,456	564	29,661	14,020
	1936	29,365	748	14,615	525	30,113	15,140
	1937	26,546	913	14,345	627	27,459	14,972
	1938	27,572	671	16,126	684	28,243	16,810
	1884-1938 total	631,808	38,983	309,317	22,473	669,791	336,790
Total:							
	1932	75,662	2,921	29,739	2,238	78,538	31,977
	1933	76,986	3,230	35,897	2,232	80,216	38,129
	1934	82,429	3,129	34,322	1,931	85,558	36,303
	1935	96,535	3,123	36,720	1,780	99,658	38,500
	1936	104,275	3,607	39,634	1,674	107,882	41,308
	1937	89,530	4,045	36,203	1,798	93,575	38,001
	1938	85,613	3,524	38,572	1,912	89,137	40,484
	1884-1938 total	1,939,049	98,188	733,178	90,974	2,037,237	794,152

## INDEX NUMBER OF WHOLESALE COMMODITY PRICES

(Compiled by the Ministry of Commerce and Industry)  
(Based on December, 1929=100)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Percentage of rise	
													Year over the	Average previous year
1935	97.9	98.3	97.6	97.3	96.9	95.7	94.8	95.3	97.5	100.1	99.6	98.5	97.4	1.1
1936	98.5	98.4	98.7	99.2	98.9	99.3	100.7	101.6	101.9	101.9	103.8	109.8	101.2	3.9
1937	120.0	119.9	123.3	126.1	123.7	121.8	122.8	122.3	123.7	124.5	126.9	128.8	123.8	22.3
1938	131.1	135.1	136.9	137.8	140.0	147.8	148.2	141.9	141.0	139.9	141.2	141.7	140.2	13.2
1939	144.2	148.9	150.2	150.8	151.1	148.8	148.6	149.8	154.6	156.6	158.7	161.7	153.7	9.6

## INDEX NUMBER OF PRICES

(Compiled by the Ministry of Commerce and Industry)

## Comparison of Wholesale and Retail Prices

(Based on December, 1929=100)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1935:												
Wholesale	97.9	98.3	97.6	97.3	96.9	95.7	94.8	95.3	97.5	100.1	99.6	98.5
Retail	89.5	89.5	88.9	89.5	90.1	88.8	90.3	90.6	91.7	92.4	92.2	92.9
1936:												
Wholesale	98.5	98.4	98.7	99.2	98.9	99.3	100.7	101.1	101.9	101.9	103.8	109.8
Retail	93.6	95.5	95.9	96.6	95.5	92.8	93.3	94.4	94.4	93.8	93.7	96.7
1937:												
Wholesale	120.2	119.9	123.3	126.2	123.7	121.9	122.8	122.3	123.5	124.5	126.9	128.8
Retail	103.0	102.6	101.9	104.0	104.1	103.3	103.3	103.9	105.8	105.6	105.8	108.2
1938:												
Wholesale	131.1	135.1	136.9	137.8	140.0	147.8	148.2	141.9	141.0	139.9	141.2	141.7
Retail	110.6	114.0	116.8	118.6	118.3	118.9	124.6	127.5	127.5	127.4	127.9	129.6
1939:												
Wholesale	144.2	148.9	150.2	150.8	151.1	148.8	148.6	149.8	154.6	156.6	158.7	161.7
Retail	130.3	132.1	133.3	134.9	136.4	135.2	135.8	137.7	141.3	142.3	144.1	146.5

## WHOLESALE PRICES OF PRINCIPAL TRADE GOODS

(Based on December, 1929=100)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1935:												
Exports	94.8	94.6	93.1	92.4	92.8	91.5	90.7	90.9	92.8	97.1	97.4	95.6
Imports	108.9	108.4	107.4	107.7	107.8	106.4	105.3	105.7	107.2	110.3	109.8	109.0
1936:												
Exports	94.1	92.7	93.3	94.5	94.0	94.8	96.8	97.9	98.4	100.5	103.2	108.1
Imports	109.7	110.5	111.4	111.4	110.8	111.8	113.9	114.6	115.1	116.1	118.9	128.9
1937:												
Exports	115.9	114.3	114.6	115.6	113.8	113.9	112.0	107.7	109.7	107.8	106.9	108.9
Imports	143.2	142.0	150.3	157.3	152.8	149.1	151.8	153.1	153.2	153.4	156.7	158.1
1938:												
Exports	111.8	117.5	119.9	120.1	120.1	128.0	119.1	113.4	120.9	120.8	121.4	123.1
Imports	100.0	161.9	162.3	163.7	167.8	172.9	174.5	167.2	163.0	158.6	159.7	157.7
1939:												
Exports	125.1	140.4	144.1	144.4	139.9	139.6	139.1	139.0	132.0	133.3	135.9	142.4
Imports	157.3	158.5	160.0	159.8	161.2	158.4	158.6	159.1	166.8	166.8	169.8	175.5

## WHOLESALE PRICES ACCORDING TO KINDS

(Based on December, 1929=100)

	1937											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	108.9	109.2	109.3	111.1	110.0	108.0	109.6	107.7	108.5	110.9	112.2	113.4
Fiber goods	115.1	113.1	113.6	114.3	111.7	112.0	109.0	104.1	106.6	103.4	102.7	105.3
Metal articles	178.9	174.8	194.3	200.6	183.1	173.8	183.8	191.2	189.0	190.4	204.4	212.2
Building materials	113.3	114.8	116.3	122.4	124.4	123.2	122.9	124.1	125.1	126.0	128.0	130.4
Industrial chemicals	76.7	85.7	90.0	93.0	94.7	94.7	95.0	97.0	101.3	106.3	113.0	118.3
Fertilizers	193.3	104.5	107.3	113.5	115.3	118.3	117.0	123.0	124.8	126.0	127.5	129.0
Fuel	104.1	105.3	105.3	108.3	110.1	110.7	113.6	114.0	117.9	122.6	123.9	124.3
Miscellaneous	138.9	141.2	148.7	151.8	150.1	146.8	147.1	148.0	148.8	150.6	151.6	146.4
Average	120.0	119.9	123.3	126.1	123.7	121.8	122.8	122.3	123.7	124.5	126.9	128.8